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The COMMERCIAL and FINANCIAL CHRONICLE

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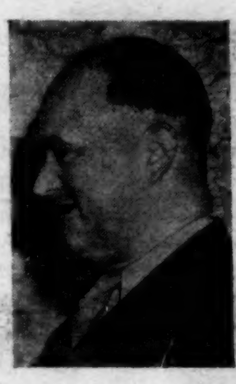
Silver—Past And Present

By COL. HERBERT G. KING

Member, N. Y. Stock Exchange

Colonel King, describing history of silver and its use, holds main trouble with use of metal as money is that as a commodity its price fluctuates. Attacks efforts to artificially raise price and points out U. S. is practically sole purchaser of world's silver, which is being sterilized, thus hanging over the market and threatening future stability, should buying cease. Sees continued uncertainty in silver market and calls for end of government bribing of silver miners of West.



Col. Herbert G. King

In 480 B. C., when Xerxes at the head of his mighty army of three million warriors crossed the Hellespont, swept like an avalanche down upon Leonidas and wiped

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The Uncertain Tomorrow

By EARL L. BUTZ*

Professor of Agricultural Economics, Purdue University

Agricultural economist, calling attention to wartime rise of farm products, asserts the forces that underlie our economy indicate prices will continue to rise. Holds, however, reversal of trend to 1944 levels will come due to buyer resistance and increased production. Sees lower prices for wheat and cotton, but is optimistic about long outlook for agriculture. Predicts farm land will reach price peak in 1947 and mortgage debts become excessive, but contends interest rates will remain low and prices be kept up by fiscal policy. Counsels farmers to keep clear heads, be efficient, and operate at capacity in 1946 and 1947, but avoid needless risks and commitments.

I shall call my remarks "The Uncertain Tomorrow." There will be some forecasting in my talk. The forecasting is my own personal opinion. I believe it. However, I am going to tell you something in the next half hour that is not true. I don't know what it is now or I wouldn't tell you. I think it is true now; based on the best estimates that I can make, the analysis I am about to make appears to be true. Yet I am quite positive that something will happen next week or next month or even next year that will make me change my estimate of the situation. I would like also to say there are agricultural economists almost as competent as I am who see the situation somewhat dif-

Earl L. Butz

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*From an address by Dr. Butz before the American Institute of Co-operation, West Lafayette, Ind., Aug. 27, 1946.

Why the Soviet's Absence From World Bank and Fund?

By DR. CHARLES PRINCE

Dr. Prince asserts Russia's present conspicuous absence from Institutions in face of her active participation at Bretton Woods, emphasizes growing U. S.-Soviet rift. Ascribes Moscow's abstention to following reasons: (1) struggle over Veto and other UN political issues; (2) non-consummation of a loan from U. S.; (3) Fund's quotas would classify Soviet as third, instead of second, ranking World Power; (4) monetary institutions will follow other "objectionable" plans to treat Europe as economic entity; (5) unwillingness to disclose information; and (6) contradiction of Soviet type of planned economy to basic psychology of Bank and Fund. Expresses confidence Institutions will nevertheless proceed, leaving door open to Soviet for later participation.

The first annual business meetings of the Boards of Governors of the International Bank for Reconstruction and Development and of the International Monetary Fund were held in Washington amidst strained political and diplomatic relations between two Great Powers — the United States and the Soviet Union. Characteristically, Russia's conspicuous absence from the proceedings of the boards of governors focused world-wide attention and accentuated the seriousness of the rift and the lack of fundamental understanding between the present political leaders of the two countries. Concur-

Charles Prince

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Stock Ownership and Thin Markets

By LUCIEN O. HOOPER

Market analyst demonstrates that the share turnover—that is, the percentage of total corporate ownership changing hands—has been decreasing from year to year. Price fluctuations are greater than ever before, despite growing investment quality of ownership. Mr. Hooper concludes that the price of regulation, while giving greater protection to the buyer, has reduced "market safety" for the seller.

Investors are holding stocks longer. The annual "disturbance" in shareholders' lists is decreasing. Fewer people are regarding their common stock holdings as temporary speculations for a turn. More are thinking of equities as longer term investments.

At the same time, and partly because of this greater stability of stock ownership, markets for American shares are getting thinner and thinner. A little buying often puts prices up a lot. A small amount of selling, at times, has a depressing price influence all out of proportion to its dollar volume. In other words, prices fluctuate more violently in spite of the better type of ownership.

L. O. Hooper

These thoughts are not stated as a mere opinion. They are based

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Inflationary Pressures

By CARL A. DAUTEN and ARTHUR G. VIETH

Mr. Dauten is Associate Professor of Economics, and Mr. Vieth is Assistant Professor of Statistics at Washington University.

College economists, holding current economic difficulties are due to: (1) curtailed output of civilian goods; (2) wartime financing through borrowing from banks; and (3) an erroneous wage policy, point to the plethora of money arising from expanded bank deposits as potent inflationary pressure. See further inflationary threats in public's liquid bond holdings and in excessive wage increases. Hold when war production was shifted to increased peacetime production, purchasing power to take that production off market was generated by very act of producing goods. Conclude real problem is excess money, and advocate rapid retirement of government debt as remedy.

Four major factors have been, and still are, largely responsible for the current economic difficulties confronting the nation. They are: (1) Curtailed output of civilian goods; (2) the shift from a partially to a fully employed economy; (3) wartime financing through government borrowing from banks and through tapping of otherwise uninvested savings, and (4) the wage policy pursued during and after the war. These four factors, working in conjunction with each other, are responsible not only for the tremendous inflationary pressures existing today, but also for the existence of black markets and current labor unrest and all of the economic difficulties resulting from them.

Carl A. Dauten Arthur G. Vieth

Effects of War Financing

It is commonly believed that financing a war by taxing of, or borrowing from, current income does not result in creation of inflationary forces, and is therefore the ideal fiscal policy. This may be true under certain conditions, but is not necessarily always true. This may be demonstrated by exploring the effects of fiscal policy under various conditions. Suppose, firstly, that we had entered the war in 1941 under conditions of full employment of resources and that the war had been financed entirely by taxation of, or borrowing from, current income. War production, under these conditions, could only be accomplished by shifting of resources from civilian to military production. This would result in curtailed civilian output, but no inflationary forces would result because civilian incomes would be reduced proportionately through taxation and/or borrowing from current income. Reconversion after the war would entail merely a shifting of resources from war production back to peacetime production. To the extent that the

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The Federal Administrative Procedure Act

Administrative Procedure Act evaluated. Extravagant expectations arraigned. General procedural uniformity doubted. Agencies' reluctance to yield powers portrayed. SEC "Lone Wolf" role outlined. Securities field vulnerability due to Maloney Act and possibility of NASD use by SEC as a conduit of evasion.

We want to spike some of the extravagant and roseate opinions and expectations concerning the Administrative Procedure Act which have been called to our attention.

In loose enthusiasm the Act has been characterized as of revolutionary significance, containing sweeping reforms, and promising to remove the major evils in administrative agency procedure.

Such unbridled enthusiasts should have their appraisals placed into true focus and we particularly feel it to be our duty to put the securities industry on guard against what the future will prove to be some of the ultimate shortcomings of the Administrative Procedure Act.

There are no sweeping reforms and there is no revolutionary significance in the Act.

The fact is that the past existence of that trichotomy of powers in administrative agencies which at one and the same time made them investigators, prosecutors and judge and jury in proceedings pending before them, was in and of itself a significant and unwarranted departure from the system of jurisprudence upon which our country was founded and from the American way of life. Insofar as the limited scope of the Act effects a restoration, it is all to the good.

There seems to be a misguided belief that hereafter practice before all administrative agencies will be uniform and that these agencies will administer the particular legislative powers delegated to them under the same rules of procedure adopted by all.

In this connection time will bring sad disillusionment.

It must be clear that to achieve uniformity of procedure among the many administrative agencies, some joint body should have been created by these agencies for the purpose of establishing the same and seeing that any amendments or addenda will also be uniform. The failure of the Act to make this mandatory is a grievous omission.

Witness the following: In its release of Sept. 4, 1946, to implement the Administrative Procedure Act, the Securities and Exchange Commission apparently played "lone wolf."

Nowhere in that release is there a word to indicate that these new rules are the product of joint effort.

The belief that confidential operating memoranda will become extinct, is also amiss.

Knowing the jealousy with which the agencies regard their powers we believe that secrecy

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Articles and News Page

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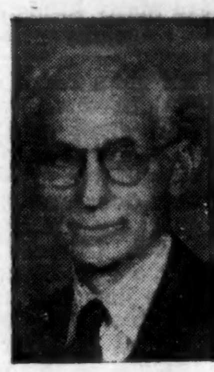
Is Railroad Pessimism Warranted?

By A. M. SAKOLSKI

In pointing out railroads are in a better situation than after World War I, Dr. Sakolski calls attention to their improved financial status arising from substantial reductions in fixed charges, ample cash reserves and physical improvements. Notes railroads in present period have no need for heavy capital expenditures as after last war, and there is no scramble to acquire subsidiary lines at inflated prices. Says higher rates are essential to offset higher wages and other operating costs, but warns that rate increases do not always bring larger revenues. Sees need for readjustment in railroad rate structure, and concludes in addition to higher rates, good and alert management is principal need of carriers.

The present pessimism regarding the railroad financial outlook is not without precedent. It prevailed on a large scale following the first World War and has recurred again and again throughout railroad history. It is due mainly to the fluctuating character of railroad earnings which are so closely tied in with general business and economic conditions. Railroad earnings and railroad credit, despite new developments in transportation, still constitute the barometer of prosperity and depression.



A. M. Sakolski

Situation After World War I

A glance backward at the situation which confronted the railroads at the end of World War I shows a somewhat similar situation to the present, but there were some noteworthy differences. In fact, the situation for the carriers as a whole in several respects was more serious and less favorable than at present. Actually, our railroads from a financial viewpoint were undergoing a more difficult situation just prior to the Euro-

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Underwriters Preparing Industry-Wide Reply on Red Herrings

Individual underwriters sending in replies of their own but what is contemplated now is an answer incorporating views and general desires of entire industry. Underwriting fraternity elated over fact Mr. Caffrey has reopened subject of red herrings because it feels in doing so, he has not only given evidence of a very commendable desire to assist industry to work out some of its problems but also paves way for overhauling which underwriters believe Securities Acts of 1933 and 1934 badly need.

Underwriters are preparing an industry-wide reply to the request of James J. Caffrey, new Chairman of the Securities and Exchange Commission, for suggestions by which wider and more effective use may be made of the red-herring prospectus in new security offerings.

Individual underwriters are known to be sending in replies of their own but what is contemplated now is an answer which will incorporate the views and general desires of the entire industry, as it were, so that the question raised by Mr. Caffrey, and possibly other related questions, may be approached from the broadest possible angle.

The underwriting fraternity is elated over the fact that Mr. Caffrey has reopened the subject of red herrings because it feels that in doing so, he has not only given evidence of a very commendable desire to assist the industry to work out some of its problems but also paves the way for the overhauling which the Securities Acts of 1933 and 1934 need very badly.

Congress was in the midst of an inquiry into the desirability of

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Menace of Discretionary Government Agencies

By HON. PAT McCARRAN*
U. S. Senator from Nevada

Asserting ours is a government of law and not of men, Senator McCarran warns that this principle cannot be maintained if administrative processes of government agencies are unregulated or unlimited by statute. Praises Administrative Procedure Act and denies it places government agencies in strait jacket. Says Act is just a beginning of recovery by Congress and Judiciary of their constitutional functions. Sees possibility of revision of entire present administrative system and decries delegation of legislative powers to government agencies as implying abdication by Congress.

It is often assumed that there are many kinds of "justice." There is said to be "arbitrary justice," which has always seemed to me to be a conflict of words. Then there is "justice according to law," which it is the purpose of the Constitution of the United States to establish. There is the justice of legislatures, of courts, and of administrators or executives. It is primarily of the latter instrumentalities of justice that I speak today; but of course—so long as our Constitution survives—they do not and cannot operate independently of Congress and the Judiciary.

Sen. Pat McCarran

There are four things that I want to say about administrative justice: *First*, because we are an imaginative people and because we regard principle highly, "justice" with us is something different than mere official fiat. *Second*, because from the time of the settlement of this land we have been devoted to the tenets of representative government, legislation does and must play a major part in all matters of justice. *Third*, because after a century and a half of national history we have just now adopted an Administrative Procedure Act, it is important to examine its broader aspects. And *fourth*, because only a beginning has as yet been made, a word should be said respecting the tasks that remain to be done in the immediate future.

With your indlugence, I should like to expand a little on each of these topics.

I

The Constitution of the United States opens with the declaration of purpose of the American people to "establish justice." Such a purpose requires that government regulation be pursued, and that controversies be settled, upon an ethical and rational basis. The means to that end are the laws of the land. The vehicles by which they are applied are the courts and, of late years, the administra-

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*An address by Senator McCarran before the Assembly of American Bar Association, Atlantic City, N. J., Oct. 30, 1946.

BUSINESS BUZZ

"Are You Quite Sure You're Right, Miss Smith? You've Got Mr. Fuddle in the Middle of Lake Superior!"

Dealers Take Exception to Cabell's Remarks on Margin Trading and Fighting for Free Enterprise

Wymond Cabell's crusade against margin trading prohibition and for free enterprise not getting reception it should. View is expressed that NYSE is short-sighted in stepping upon another segment of industry to gain its point on margin issue.

Wymond Cabell's crusade against the prohibition of margin trading in securities is not getting all the support from the various segments of the securities industry which one might expect he should be receiving. It is not that the men in the business don't think the margin restrictions are not excessive, or for that matter should be controlled at all by a governmental agency. But the feeling is, that Mr. Caball is making a grave mistake in saying in effect "either unshackle us or shackle the other fellow."

For example, one commentator argued that it would be just as sensible for the automobile industry to urge that either it be decontrolled or that controls be put back on meat. The same source also said that it is likewise silly for Mr. Cabell to suggest that the NASD be invited to join with other organizations in the investment field to fight for free enterprise, because such a fight would have to be waged on bureaucracy generally, including the NASD.

However, it would almost seem at some important points at least as though the efforts of Mr. Cabell, who is President of the Association of Stock Exchange Firms and who, consequently, should know something about how the men in the industry feel about the subject, are receiving a negative response. Some of his ideas, in other words, are getting a cool reception. Perhaps it can be argued that what the over-the-counter industry thinks is of no consequence to the New York Stock Exchange, but, on the other hand, if the whole securities industry can present only a divided stand to the officials who make the laws and who manage the regulatory bodies. it follows, too,

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International Employment Policy

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Correspondent points out close connection between Britain's full-employment proposals and her responsibilities to International Fund and Bank, and to Anglo-American Loan Agreement. Notes insistence on escape clauses in apparent fear of American major depression.

LONDON, ENG.—Last week the "Chronicle" (p. 2206) published the text of a memorandum of the United Kingdom's delegation to the current trade discussions in London on the subject, "International Employment Policy," together with Annex A thereto. Below is published the full text of Annex B, being the British supporting argument for the position taken in the above-mentioned memorandum.

Herbert M. Bratter

Coming from a country which has adopted planning as a national policy but which for several years at least faces not the prospect of unemployment, but rather a shortage of manpower, the document, being principally addressed to the United States, will be read with close attention.

Readers who have followed the development of the Bretton Woods program and the British loan will observe the close bearing of the British full-employment proposals on the Fund and Bank, and on Britain's commitments under the loan agreement. Conspicuous in the British memorandum on international employment policy, herewith concluded in the "Chronicle," as in the case of the British loan agreement, is the British insistence upon escape clauses predicated on lack of confidence in the USA's ability to avoid a major depression.

International Employment Policy

ANNEX B

EXPLANATORY NOTE

I.—The Responsibilities of National Governments

1. It is now generally agreed that the essential feature of a successful policy for full employment is the adoption of effective measures to maintain the general level of demand for goods and services at a high and stable level. Much thought has been given in recent years to the sort of measures which might be taken by national governments to maintain the general level of demand within their own territories. Such measures fall in the main into the following three categories:—

(a) The planning and timing of the demand for goods and services by public authorities. In particular, in this connection, attention has been given to the control of public investment, that is to say, of expenditure by public au-

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Mexico's Foreign Trade Prospects

By ROBERT L. HEILBRONER

Economist, RCA International Division

The war having intensified dependence of Mexico's foreign trade on U. S. exports and imports, she has raised both her import and export levels; former due to a domestic industrialization program, the latter to American war-demand. Economist reports rise in foreign trade in last two years, has been accompanied by accentuated adverse trade balance on merchandise account, compensated by tourist business and gold and silver transfers. Currently Mexico's need for imports is great, while her export industries stand exposed to foreign competition. Mr. Heilbroner concludes short-run outlook presents no difficulties, since Mexico possesses adequate gold and dollar exchange, but the long-run is less favorable.

The Position and Importance of Foreign Trade

Like many undeveloped countries whose commercial network represents a far greater proportion of national income than its actual physical size would suggest, Mexican prosperity is extraordinarily closely tied up with foreign trade. Only about one-seventh of her national income is directly derived from foreign trade, but of the remaining six-sevenths, a good half, particularly in the manufacturing and mining fields, is critically dependent on imports from the U. S. for its raw materials and on exports to the U. S. for the prosperity of its domestic customers.

Robert L. Heilbroner

That the importance of Mexican foreign trade has increased greatly during the war years can be seen below:

Total Exports and Imports of Mexico

($000,000)

	Exports	Imports	Balance
1938	184	109	+75
1939	175	121	+54
1945	242	329	—87

The growth of Mexican foreign trade has been both an active and a passive phenomenon. The enor-

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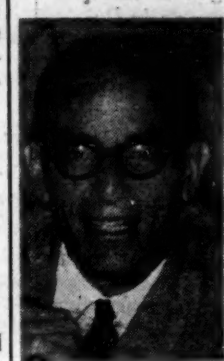
Observations . . . .

By A. WILFRED MAY

America's Election Results and Her Foreign Policy

The sweeping Republican victory carries completely differing effects in each of American foreign policy's two main spheres—the political and the economic. In our attitude toward the UN and in our international dealings of a *political* nature, the GOP's return to power —legislatively and psychologically—should occasion no change. Thanks to the rare display of statesmanship by leaders of both parties—in contrast to 1918-'19—we have been operating under a genuine coalition "Administration of Foreign Affairs." This was evidenced in the pre-election ousting of the Democratic Mr. Wallace from a Democratic Administration, and in the public's striking lack of consciousness of Secretary Byrnes' party faith.



A. Wilfred May

The complete bi-partisanship of our foreign policy is further emphasized by the post-Election suggestion of Senator Fulbright, Democratic foreign affairs expert, that his party chief, Mr. Truman, resign immediately and appoint the Republican Senator Vandenberg President via the Secretaryship of State.

In the *economic* sphere, however, the GOP's accession to power drastically alters the international picture. The indispensable American support for the new international economic institutions, as the embryonic World Trade Organization and the Bretton Woods bodies—being based on liberalization of American tariff policy—even under the aegis of the Democrats would have been shaky. Under Republican tendencies toward greater protectionism, the prospects for success may completely vanish.

UN Help Wanted—A Public Relations Czar

Basic mistakes in UN's "public relations job," cited in this column last week, have been accentuated by some unfortunate incidents occurring within the past few days. The public's impression of unnecessary "bigness," depicted by this writer, has subsequently been magnified by Soviet Representative Gusev's detailed violent and openly-voiced charges that the $25 million budget is much too high; that size of staff should be cut 40%, that the "United Nations is being drowned in a flood of paper work"; and that the capital fund should be reduced from $25 million to $3 million.

Coming on top of such 1947 budgetary requests as $4½ million for rentals and supplies, $856,000 for furniture and equipment, and $708,000 for "provident fund contributions," the public is understandably sympathetic to the headlined charges advanced by Mr. Gusev. And further weight is attributed to the sincerity of the criticisms by reason of the supposed "satellite" status of Secretary-General Lie *vis-a-vis* the complaining Russian delegation.

The Russian's charges of extravagance also naturally have aggravated the new "gripe" of American citizens arising the previous day from Senator Vandenberg's objections to the United States being saddled with a full half of the expense bill. Speaking as the U. S. representative on the Administrative and Budgetary Committee of the General Assembly, and also obviously reflecting likely Congressional feeling, Mr. Vandenberg showed the unfairness of assessing the United States in an amount five times as great as the United Kingdom, and eight and one-half times as great as the USSR.

Additionally the "extravaganza" scale of UN's operations are highlighted for the public by the sharp contrast concurrently offered by the meetings of the Council of Foreign Ministers. For the public reads of them tackling their momentous problems, with definite

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Robt. McMaster Admits New Partner to Firm

CHICAGO, ILL.—Robert F. McMaster & Co., 135 South La Salle Street, announces that James R. McMaster has been admitted as a general partner. The son of Robert F. McMaster, he saw two years Army service in the Infantry, and recently attended the University of Indiana school of business.

The Menace of Rising Unit Costs

By H. H. ROGGE*

Vice-President, Westinghouse Electric Corp.

Asserting, economically, we live in a paradox, Mr. Rogge lays much of our domestic difficulties to rising unit-costs, which has become alarming to industry and threatens private enterprise. Holds our industrial leadership cannot be maintained without mutual understanding between management and organized labor in public interest. Says clashes between labor and management, if continued, will lead to an unprecedented social explosion and urges industry seek to understand desires of workers, and consider them as individuals rather than machines. Warns we must establish domestic peace if international peace is to be attained.

Many confusions and contradictions beset America and the world today.

We are a victorious nation, wanting only peace and prosperity, yet we hear rumors and rumblings of conflict, while world statesmen bicker in uneasy armistice.

Herbert H. Rogge

Economically, we live in a paradox.

We have the greatest number of employed, and the highest national payrolls in our peacetime history. We proudly call ourselves the richest nation in the world and we boast that we have the greatest productive capacity a nation ever enjoyed.

Yet we live amid shortages.

We like to think of America as the most influential and powerful nation on earth, the nation to which the world looks for leadership.

Yet who knows in which direction we are going?

We in industry criticize foreign statesmen and our own government—yet we are uncomfortably conscious of confusion and uncertainty in our own affairs.

American industry justly claims credit for the development of this nation's economic potential, for creating the skill and the plant to make America the arsenal of democracy. Through generations, indeed for more than a century, this industrial might has been growing. It has steadily provided more and more jobs, more pay, more benefits for all the people. It has become the undisputed champion of the world because it has produced the world's greatest industrial leaders. This has been the special tradition of our country.

And now this leadership faces its greatest challenge—and its greatest opportunity. This is the vital need for mutual understanding and for living compatably with organized labor. It is vital

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*An address By Mr. Rogge before Connecticut Manufacturers Association, Hartford, Conn., Oct. 30, 1946.

Government Bonds And "Easy Money"

By WALTER W. CRAIGIE*

Partner, F. W. Craigie & Co., Richmond, Va.

Investment banker, after reviewing effects of government bond holdings by banks as related to fiscal needs and commercial loans, points out following conditions working for easier money rates: (1) gradual end of war loan calls; (2) decreasing commercial and agricultural bank loans; (3) return flow of currency to banks; and (4) a reversal of the mildly deflationary Federal Reserve policy. Against these forces, he cites, as keeping rates from falling, potential liquidation of part of $23 billions of Federal Reserve government bondholdings. Predicts excess reserves will increase over near-term, and government bond prices will rise slightly. However, warns against banks gambling in governments.

After the first World War, banks which had been heavy lenders to the textile industry found themselves in the cotton business. That lesson so impressed institutions with the danger of placing too many eggs in one basket that few will be caught this time.

Walter W. Craigie

Today, however, banks throughout the country find themselves in another dilemma: that of being controlled by the U. S. Government.

This statement may strike you as peculiar for socialization of our banks does not appear imminent. Nevertheless, the facts are that 55.7% of all the assets of all insured banks in the nation as of June 29, 1946, consisted of government bonds. In Virginia the comparable figure was 52.9%.

Now it is axiomatic that when a creditor owns a majority of your assets, it is he and not you who is in control. That, briefly, is the uncomfortable position in which the banker finds himself at the moment.

This minority situation is not as alarming as it sounds, however, for although certain foreign governments recently have revalued their currencies against the dollar, there is no investment in the world which is safer, in my opinion, than the obligations of these United States.

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*An address by Mr. Craigie before Group Five, Virginia Bankers' Association, Bristol, Va., Oct. 26, 1946.

Problems Facing International Monetary Fund

By CAMILLE GUTT*

Managing Director, International Monetary Fund

Executive of Bretton Woods institution lists as problems ahead: (1) the establishment of initial parities of members' currencies; (2) elimination of unnecessary exchange restrictions; (3) maintenance of stable exchange rates; and (4) proper use of Fund's resources within scope of its functions.

Initial Parities

As a result of the call for the communication of par values, the Fund will seek agreement with 39 countries in the next few months on the structure of exchange rates which will govern most of the foreign transactions of the world. This is a formidable task, especially for an international organization which is still in its infancy.

Camille Gutt

In deciding to proceed to the active phase of the Fund's work, the Executive Directors were mindful of a number of reasons which could be advanced for postponement. Many countries have only begun to recover from the devastation of war; and the reconstruction of their economic and monetary systems will take several years. The wartime economic controls of many members of the Fund are still in force. Inflation, in varying degrees of intensity, is in progress throughout much of the world. International trade and international investment are only partially restored. Concrete measures for international economic cooperation, in spheres other than the financial, are not as far advanced as had earlier been hoped. International political cooperation leaves much to be desired.

These and other factors undoubtedly make it more difficult to determine what is an appropriate structure of exchange rates. Nevertheless, it is the opinion of the Executive Directors that it is desirable to proceed with the establishment of initial par values. When the Bretton Woods Agreements were signed, it was generally foreseen that the Fund would have to begin its work in a period of disorder and devastation, and allowance for these conditions was made in a number of provisions of the Fund Agreement. One of the major purposes of the governments that established the Fund was to ensure the maximum of monetary cooperation in the transition period from war to peace. In adjusting their economies to new post-war conditions, many countries will have to continue to control their exchanges, and some countries may also need to adjust the foreign-exchange value of their currencies. These conditions emphasize the difficulty of the task of restoring a healthy world economy.

A number of countries, particularly in Europe and the Far

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*Abstracted from the Annual Report of the Executive Directors of the International Monetary Fund, Washington, D. C., Sept. 1946.

Menace of Restricted Securities Markets

By WYMOND CABELL*

President, Association of Stock Exchange Firms
Partner, Branch, Cabell & Co., Richmond, Va.

Mr. Cabell scores regulations hampering free and continuous markets. Stresses importance of marketability in investments, and denies stock exchange members object to proper and intelligent regulations. Cites progress in self-regulation and sees better outlook in new blood injected into SEC and FRB.

Organized and regulated Stock Exchanges are a vital necessity in any industrialized nation. To a city of dynamic growth and energy such as Los Angeles they are indispensable. When Stock Exchanges are hampered in their operations by unnecessary governmental restraints, the flow of capital is retarded and business growth is stunted.

Wymond Cabell

The corporate form of enterprise has made possible the mobilization of the vast amounts of capital necessary for the building of our country and your city. This capital has been obtained from the savings of our people. Policies which prevent savings, or which hamper savings in attaining productive investment, jeopardize not only the welfare, but the continued existence of America. Our economic cycle consists of savings, investment, employment, production, and the enjoyment of the fruits of production. The magnitude of this cycle is the measure of our standard of living. The security dealers of our nation are the indispensable channels through which personal savings find their way into productive capital. When the flow of savings is both large and constant, the public welfare is enhanced. This is the explanation and justification for security dealers and security markets.

No investor desires to place his savings where they may not readily be withdrawn in case of emergency, or a change in the business outlook. Therein lies the great importance of our organized Exchanges. In the absence of the ability to withdraw from investment positions, as well as to enter them, it is certain the American standard of living would be far lower than it is today. Every citizen, therefore, has a direct interest in maintaining that type of security market which will encourage our population to save and invest on the broadest possible scale. This encouragement is not possible unless there exists a free market, such as the New York Stock Exchange and the other Exchanges of our country desire to afford. If free markets are eliminated by governmental restrictions, equality of opportunity and economic democracy will have been put to death and replaced by edicts of the State.

Venture Capital Essential to Enterprise

Venture capital is capital which is available for new and expanding enterprise. For the past thirteen years our Federal guardians, by restrictive regulation of Stock Exchanges, have inhibited the adequate flow of venture capital. They have appeared unmindful of the fact that the transition of our country from a wilderness to an industrial empire was based on the willingness to take an intelligent risk. In no way could the truth of this statement be more fully exemplified than by the example of Los Angeles. Within the space of a few years it has grown from a relatively small agricul-

(Continued on page 2371)

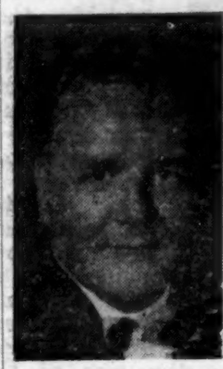
*An address by Mr. Cabell before the Los Angeles Rotary Club, Los Angeles, Cal., Nov. 1, 1946.

Suggested Revisions Of Securities Acts

By THOMAS GRAHAM*

Manager, Investment Dept., Bankers Bond Co., Louisville, Ky.
President, National Security Traders Association

Advising various segments of the securities industry to cooperate in forthcoming hearings on changes in the Securities Acts, Mr. Graham urges: (1) enactment of Boren Bill as vital to the municipal business; (2) change in rules regarding "red-herring" prospectuses so as to permit solicitation by salesman before final issue; (3) an amendment which would give more information about unlisted securities and fix their suitability for Exchange trading; (4) requirement of periodical reports on operations of dealers' associations formed under the Maloney Act; (5) the removal of margin regulations from FRB and placing them with SEC under proper restrictions; (6) application of credit restrictions to speculation in real estate, farm lands, and commodities as well as to securities; and (7) revision of Investment Company Act to make it easier to form local companies.



Thomas Graham

The following are the writer's individual suggestions on certain pertinent legislative matters for presentation to the Interstate and Foreign Commerce Committee of the 80th Congress:

The securities industry should first unite on the problems to be corrected by legislation and arrangement for joint sponsorship of the necessary legislation by all organizations in the industry. The necessity for a mutually cooperative spirit has recently been emphasized in an able address by Wymond Cabell, President of the Association of Stock Exchange Firms. Both the Chairman of the Interstate and Foreign Commerce Committee and the ranking Republican member of this Committee have indicated that hearings should be held on all matters affecting the securities industry during 1947. The only opposition on this Committee during the hearings on the "Boren Bill" in 1946 was from certain "New Deal PAC" members, largely representing New York City.

(Continued on page 2356)

*Besides being manager of the Bankers Bond Co., Mr. Graham is President of National Security Traders Association, but the suggestions are his own personal ones and not necessarily those of either the firm or Association.

Profits—Spark Plug of Enterprise

By WILLIAM K. JACKSON*

President, Chamber of Commerce of U. S.

Leading industrial spokesman in denying business is making handsome profits, warns raising wages by lessening profits will bring engine of production to dismal halt. Attacks statistics reputed to show increasing profits, and asserts in our half-free, half-regulated economy price control has become profit control. Cites Russia's resort to incentive bonuses to both workers and managers as need of "profit motive," and defends our free enterprise system as means of "packing into one century more than into the thousand years that went before."

I am going to talk about profits—and why profits are indispensable for the attainment of the greatest need of this country, namely full production.

William K. Jackson

Full and expanding production to balance the current lopsided condition of supply and demand can be achieved only through free and vigorous enterprise. And profit is the spark-plug of the enterprise system! Take out the spark-plug and the engine of production will come to a stop.

I am talking about profit now because there is a real danger today that the engine of enterprise may be deprived of the spark-plug just when the country needs it most. You don't have to be skilled in the mechanics of business to see that the engine is missing strokes, that the machinery needs adjusting and cleaning to bring out in full the tremendous productive potential of American enterprise.

Not Making Big Profits

Perhaps you have heard or seen Washington statistics which show that business generally is making handsome profits this year. But examine these figures carefully, analyze them by industries, and you will see that profits are unevenly distributed.

For many companies, caught between rigid price ceilings and government-regulated rates on one side and rising costs on the other, this has been a profitless boom year. Yet they are producing and selling in the hope of staying in business and making a profit when OPA ceilings are off and government rate-fixers recognize that the engine will not go on running minus the spark-plug. A business, like an individual, can keep going only so long on the insubstantial fare of hope.

You also doubtless have heard figures on profits cited to support the argument for raising wages without increasing prices to absorb the higher wage costs. That also is a specious argument which won't bear analysis. In fact, the argument that wages can be increased out of profits, without affecting prices, has been thoroughly exploded by the facts in recent months. Prices have to follow wages on the rise or the engine of production will come to a dismal halt.

New Wage Demands Coming

Now there is another squeeze on profits in the making. Organ-

(Continued on page 2350)

*An address by Mr. Jackson before National Association of Commercial Organization Secretaries, Miami, Fla., Oct. 29, 1946.

Public Utility Securities

National Power & Light Company

National Power & Light, first of the major holding companies to virtually complete a liquidation program, has distributed all but a small part of its holdings in Pennsylvania Power & Light (formerly the largest subsidiary) and its entire interest in Birmingham Electric and Carolina Power & Light. The stock, following the distribution Aug. 23, has been selling in a range of 2½-1¼ and has recently been around 1⅞.

Present assets consist of substantially all the preferred and common stocks of Lehigh Valley Transit Company, all the outstanding securities of Memphis Generating Company (which in turn holds all the common stock of Memphis Street Railway Company), 34,146 shares of Pennsylvania Power & Light and about $1,100,000 net current assets.

Pennsylvania Power & Light is now selling at about 23 on the New York Stock Exchange, making the value of the remaining holdings about $800,000. Thus the more liquid of the company's assets are worth close to $2,000,000 or about 37c a share on National's stock. Obviously then the market is valuing the two traction properties at about $1.50 a share or about $8,200,000. Is such a value warranted by the available data on earnings and assets for these companies? (Some Wall Street statisticians have been somewhat skeptical on this point).

In the 12 months ended July 31, Lehigh Valley Transit Company reported consolidated net income of $526,027. These earnings might be improved moderately through refunding and reduction of the company's outstanding 5% bonds. The company and subsidiaries have net quick assets of about $1,547,000 together with holdings of Pennsylvania Power & Light preferred, bringing the total available funds or bond reduction to an estimated $3,100,000. Subject to SEC approval, the company might also realize substantial funds from sale of a power plant to Pennsylvania Power & Light (now leased to that company at a moderate rental). This backlog should serve to protect future earning power from a downward trend resulting from higher costs or declining traffic.

Memphis Generating Company's operations are very small and it reports no net operating revenues (depreciation being adjusted to absorb earnings). The subsidiary, Memphis Street Railway Company, reported $1,652,528 for the 12 months ended July 31 but a footnote indicates that income was substantially increased by reduction of Federal taxes, obtained through extraordinary provisions for obsolescence and for estimated cost of track removal and street paving. Since these charge-offs were placed in surplus account instead of in expenses, net income is thus over-stated by nearly one half, due to resulting tax savings. (The amount on a pro forma tax basis being $852,528, compared with $479,411 in the previous year.) From these figures should be deducted $86,840 dividend requirements on the preferred stock (all held by the public and carrying arrears of over $30 a share).

Earnings of the two companies would thus aggregate about $1,292,000. Based on the average showing of other transit stocks it would probably be safe to capitalize these earnings at 4 to 6 times—about $5,200,000 to $7,700,000 market value. From this should be deducted the amount of the Memphis preferred arrears, about $660,000. These figures fall somewhat short of the valuation assigned by the stock market in the recent quotation for National Power & Light. The explanation may lie in (1) the assumption of too low a price earnings ratio above or (2) more probably, rumors that the Memphis Company has been negotiating with the city for municipal purchase of the transit property. As has frequently been demonstrated in the electric field, this might permit National to obtain a substantially higher price (due to tax factors) than would be possible if the property were sold to a private purchaser or the general public.

Obviously it is difficult to make a careful appraisal of the transit companies on the basis of information currently available. It seems unlikely however that holders of National common can expect any large bonanza, since each additional point on the price of their stock would require realization of additional $5,456,000 from the sale of the traction properties.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
BANGOR, ME.—**Maurice R. Allen** is now with **Hornblower & Weeks**, 2 State Street. He has recently been serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHARLOTTE, N. C.—**Bernard B. Ramsey** is with **Merrill Lynch, Pierce, Fenner & Beane**, Liberty Life Building.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—**Charles F. Lott** is now affiliated with **Charles E. Bailey & Co.**, Penobscot Building. He was formerly with Baker, Simonds & Co.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—**Bruce W. Gibson** has been added to the staff of **C. G. McDonald & Co.**, Guardian Building.

(Special to THE FINANCIAL CHRONICLE)
FT. WAYNE, IND.—**Carroll D. Blackwell** has become associated with **Leonard J. Fertig & Co.**, Berry at Court Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—David F. Culbertson has joined the staff of **Bingham, Walter & Hurry**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Robert E. P. Richards** is now with **Quincy Cass Associates**, 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Frederick Wythe** is now with **Flynn & Levitt**, 411 West Seventh Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**George H. Harder, Jr.**, has become connected with **Harris, Upham & Co.**, 523 West Sixth Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Bertram S. Urbach**, formerly with Buckley Brothers, is now with **Hill Richards & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Edward P. Engle** has become associated with **Merril Lynch, Pierce, Fenner & Beane**, 523 West Sixth Street. He was previously with Nelson Douglass & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Paul C. Buetow** has become affiliated with **King Merritt & Co., Inc.**, Chamber of Commerce Building.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Richard H. Payne** has joined the staff of **Pacific Company of California**, 623 South Hope Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Frederick J. Wilson** is now with **R. F. Ruth & Co.**, 639 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Max L. Hall** is now connected with **Dean Witter & Co.**, 632 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF.—**James Wiley** is now associated with **Blair & Co., Inc., of New York**, Russ Building.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF.—**Arthur J. Wilson** has become connected with **Davies & Mejia**, Russ Building. He was formerly with McNear and Hoelscher.

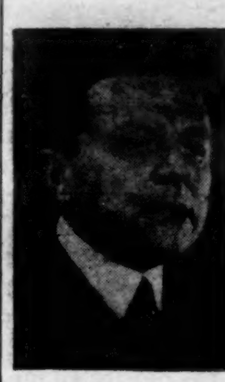
(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, CALIF.—**DeA. J. Bacon** has been added to the staff of **Hannaford & Talbot**, 519 California Street.

Cheap Money in Britain

By PAUL EINZIG

London commentator, pointing to success of British Government 2½% perpetual loan, states further decline in interest rates is expected. Says speculators, who were targets for punishment when Chancellor of Exchequer reversed cheap money policy six months ago, are now fighting his battle. Sees uncertainty in future money rates because of international situation, but holds Labor Government will continue cheap money policy.

LONDON, ENG.—A few weeks ago it looked as though Mr. Dalton's cheap money drive had reached its utmost limits. The market in government loans was barely steady. Several new issues by local authorities failed, and the government had to take up the unsold portions. Faith in the possibility of a further decline of interest rates, or even in their maintenance at their present low level, weakened considerably in consequence. Financial commentators who on innumerable occasions since 1932 expressed their conviction that the rise of the market in government loans had passed its peak became once more vocal in voicing that view.



Paul Einzig

And yet, Mr. Dalton was able to issue a new irredeemable 2½% loan at par, the most favorable rate at which any British Government has ever borrowed. The announcement of the terms was preceded and succeeded by a marked rise in government bonds. For the first time, 2½% Consols rose to a shade under par. It is now widely believed that the 2½% borrowing rate is but a landmark in the course of the decline of interest rates, decline which is now expected to continue.

In order to understand the change we must go back to May, when the boom in government loans was interrupted and reversed, as a result of the unduly generous terms of the new medium-short loan issued by the Treasury. This was done deliberately; almost for the first time in history, the Treasury paid more for its loan than was really necessary.

The reversal of the cheap money drive constituted a victory for the orthodox wing of Treasury officials who gained the upper hand as a result of Lord Keynes' death. They discovered the line of approach through which they succeeded in winning Mr. Dalton over to their side. They told him

(Continued on page 2355)

Britain's Need For a Property-Owning Democracy

By RT. HON. ANTHONY EDEN, M.C., M.P.*

Spokesman for Conservative party stresses great need for production, alleging it is being hindered by Socialists' campaign against extra effort and output. Holds ultimate goal should be stable employment accompanied by real incentives to save and invest. Reconciliation of freedom and order the essential problem of modern world.

At the recent Conference at Blackpool I sought to outline the basis of our policy and to show how fundamentally it is opposed to Socialism. I would like to refer to that topic again this afternoon.

Anthony Eden

Our fundamental purpose is to achieve the fullest possible life for the individual. We seek to ensure for every citizen, irrespective of class, creed or political outlook, the fullest and freest life that can be lived within the context of an ordered society. Freedom does not grow of its own. It cannot grow unless the conditions in which it can flourish are established, and it can only survive as long as those conditions are maintained. The conditions are both material and spiritual. Unless a man can obtain the basic requirements of human life and unless he can be protected from the constant fear of want, he cannot be wholly free.

But, at the same time, it is quite possible for a man to live in conditions of assured comfort and enjoy no true freedom. This paradox is intensified by the development of the modern machinery of government. We are entitled to see in the potential organizing ability of government, and indeed in all the possibilities of modern large-scale organization, private as well as public, hopes of raising the standards of our people, and of freeing them from the ever present fear of want arising from unemployment, ill-health or the other accidents of economic life. But, at the same time, there is no doubt that an over-rapid or ill-thought-out development of all the powers of large-scale economic and social organization, public and private, can easily bring us to a point where, in achieving greater material prosperity, we shall have lost our spiritual freedom. The essential problem facing the modern world is to reconcile freedom and order. It is no new problem. It has been with mankind ever since civilization began. To reach succeeding age it presents itself in a different form, and each generation must find its own solution. Wherever you may look you will see how in essence this problem, the reconciliation of freedom and order, underlies the struggles and the difficulties of statesmen and governments.

National Sovereignty vs. International Cooperation

In the wide field of international relations it is the reconciliation of the claims of national sovereignty with the demands of international cooperation that sets the stage for all our discussions and deliberations. Similarly, in

(Continued on page 2364)

*An address delivered by Mr. Eden at a mass meeting at Plymouth, England, Oct. 26, 1946.

"British Imperialism" Is a Spook

By FIELD MARSHAL JAN CHRISTIAN SMUTS*
Prime Minister, Union of South Africa

Marshal Smuts asserts British Commonwealth of 20th century is far different from British Empire of 19th. Declares Imperialism of past received its death wound in Boer War; and is now being exploited as a scarecrow, as was George III long after American independence. Hails present British Commonwealth as indispensable to world peace and freedom.

I have been invited to speak to you from this Forum on the subject of the British Commonwealth and Empire, commonly but quite erroneously called the British Empire. The subject is of particular importance because this Commonwealth group is one of the three Great Power groups which are now, and will in the near future be, in virtual control of our destinies as a world community. The other two are of course the USA and the USSR. We cannot know too much of these three masters of our fate so far as peace and war are concerned. While the smaller nations have a great part to play in the cause of peace and world affairs generally, these three great power groups are in possession of the vast power resources needed for modern war, and war and peace will therefore be largely in their hands. I shall speak to you on one of them.


Field Marshal Smuts

Opposed Empire Formerly

Perhaps I am particularly qualified to do so, as I speak from an unusual personal angle which makes for a fair degree of impartiality. I am not a Britisher but belong to one of the sovereign independent states of the Commonwealth. What is more, I have been a determined opponent of the British Empire in its old form, and spent some of the most strenuous years of my life in fighting against it in South Africa at the beginning of this century. My angle of approach on this subject is therefore from the large human point of view which transcends racial or national interests. The very fact that I speak on behalf of the British group tells a story of its own, which is worth recalling here. How can a Dutch Boer from the old Transvaal Republic, who fought to the last for the independence of his country, now speak for the British Commonwealth? The question calls for an answer, and the plain and simple answer is that the British Commonwealth of the 20th cen-

(Continued on page 2349)

*An address by Marshal Smuts at the New York "Herald Tribune" Forum on Current Problems, New York City, Oct. 30, 1946.

Important Economic Agreements

By JOHN KINGSLEY*

Writer holds setting-up of International Trade Organization in London proves that Britain is not making one-sided pacts.

The financial agreements concluded recently with France, Argentina and Brazil, and the current or prospective trade negotiations with those countries, as well as with Denmark and others, obviously have been inspired by considerations of expediency and there seems little point in trying to fit them in to any preconceived master-plan for the development of British trade. This is not to deny that certain important principles have been established as a result of recent negotiations. The French, Argentine and Brazilian agreements have indicated a procedure for the settlement of international money balances resulting from World War II.

Britain's external debit balances run to $13,400 million, according to the latest official figures available, and of these $10,800 million are held within the sterling area, of which $1,600 million are held by the Dominions, and $6,800 million by India, Burma and the Middle East. Of the balances held outside the sterling area, the American continent accounts for $1,200 million and Europe for $1,000 million.

Established Precedents

The Argentine and Brazil settlements, amounting to about $680 million together, take care of the greater part of the balances held on the American continent. In their case these precedents have now been established:

1. That only a proportion should be liquidated immediately.
2. That the rate of interest on the rest of the balances should be ½%, i.e., approximately the current rate at which the United Kingdom Government can borrow in London for the short term.

In the case of the French franc-balances held in London the same two principles have been observed, but negotiations were taken a step further and final repayment is to be made during the 12 years 1950-1961, by a system of annuities.

The concessions afforded to France are very considerable compared with the stipulations of the agreement signed last April. France is not asked to pay any part of her old debt until 1950. French-owned British securities, therefore, will not be required now for this purpose but will be available to pay off likely adverse trade balances arising out of current French purchases in Britain. Efforts will be made by Britain to allow more French goods to come in: not of course luxury goods which Britain cannot afford for the time being, but materials of a more essential nature, such as pit props, steel scrap, essential oils, iron ore, phosphates, and so

(Continued on page 2361)

*This article by Mr. Kingsley was submitted to the "Chronicle" for publication by the British Information Services.

Regional Exchanges Meeting in Chicago

CHICAGO, ILL.—A meeting of the regional Exchanges throughout the country was held at The Chicago Stock Exchange Nov. 1. Mr. John MacFarlane, Executive Vice-President of the Detroit Stock Exchange, acting as Chairman pro-tem for the group, stated that the meeting had been called for the purpose of discussing questions affecting security markets. Representatives from the following exchanges were in attendance:

Baltimore Stock Exchange — J. Dorsey Brown, President.

Boston Stock Exchange—Harry W. Besse, Draper, Sears & Co., President.

Chicago Stock Exchange: James E. Day, President; Ralph W. Davis, Paul H. Davis & Co., Chairman of the Board; Jess Halsted, Counsel.

Cincinnati Stock Exchange—C. H. Steffens, President; J. B. Reynolds, Benj. D. Bartlett & Co.

Cleveland Stock Exchange — Guy W. Prosser, Merrill Lynch, Pierce, Fenner & Beane, President; Richard A. Gottron, Gottron, Russell & Co., Vice-President; Wm. J. Perry, Secretary.

Detroit Stock Exchange—Milton A. Manley, M. A. Manley & Co., Vice-President; John O. MacFarlane, Executive Vice-President.

New Orleans Stock Exchange—James J. Plauche, President; Walter J. Kingston, Lamar & Kingston.

Philadelphia Stock Exchange—Howard Yocum, Counsel; Alexander Biddle, Executive Vice-President.

Pittsburgh Stock Exchange — John A. Carothers, James Carothers & Co., President.

St. Louis Stock Exchange—Oliver B. Henry, Waldheim, Platt & Co., President; John Issaacs, Vice-President;

San Francisco Stock Exchange —Ronald E. Kaehler, President; J. White.

R. W. Lane, V.-P. of MacBride, Miller Co.

NEWARK, N. J. — MacBride, Miller & Company, 744 Broad Street, members of the National Association of Securities Dealers, Inc., announce the election of Robert W. Lane as a Vice-President and director. Mr. Lane was associated with Minsch, MacBride & Company of Newark, N. J., from 1925 to 1932 at which time the name was changed to Minsch, Monell & Company following the resignation of Van Dyk MacBride to organize MacBride, Miller & Company. Mr. Lane remained to manage the Newark office of Minsch, Monell & Company until 1942 when he entered Service.

With Fusz-Schmelzle

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Eugene G. Schweigler and Raymond C. Wolter have become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the St. Louis and Chicago Stock Exchanges. Both were formerly in the U. S. Army.

Insurance and Anti-Trust Laws

By WENDELL BERGE*
Assistant Attorney General of U. S.

Anti-Trust Chief of Justice Department reviews status of insurance under Federal laws and outlines implications of Supreme Court decision in South-Eastern Underwriters case. Holds decision did not endanger state regulation and control of insurance, and that Public Law 15, extending a moratorium on Federal control unitl 1948, was not necessary. Says states now have opportunity to improve insurance regulations and foster insurance competition, but cautions state laws leading to monopoly or interference with federal statutes will not be tolerated. Upholds state regulation of rates and pooling of actuarial data by insurance companies, but denies such power should restrict competition or prevent adequate safeguards in public interest.

You have honored me highly by inviting me to speak this evening to such distinguished company. I am not an insurance lawyer. But I think I have a keen appreciation of the importance of insurance in our economic life, and of the great responsibility of lawyers whose special field is the guidance of clients on the problems of insurance law.


Wendell Berge

Insurance is the practical device by which civilized man protects himself against the contingencies of life. It is difficult to imagine how a private enterprise system could function without a mechanism for pooling the risks of fortuitous destruction and damage. Certainly individuals of small means, or small companies, could not afford ventures into business if there were not a way to secure protection against such risks as death, accident, fire and other hazards which are beyond the complete control of man's ingenuity. Insurance relieves us of unnecessary worry and frees our talents to concentrate on the important creative work of life. It can relieve us of fears, and even of tears. Sir William Gilbert, who was a lawyer as well as a great playwright and humorist, tells us in one of his immortal verses that:

The Dallyshannon foundered off
the coast of Cariboo,
And down in fathoms many went,
the captain and the crew;
Down went the owners—greedy
men whom hope of gain allured:
Oh, dry the starting tear, for they
were heavily insured.

Yes, insurance assuages fears and tears and relaxes many tensions which would otherwise bring us distress. We could not envision a reasonable society without it.

Our belief in the wisdom and importance of pooling the risks of life commonly regarded as insurable, should not be confused with our belief in an economic system where private enterprisers themselves assume the business risks of new venture; that is, the ordinary risks of competition. We want a system in which bold and ingenious men are still free to pioneer with new ideas to produce and distribute new products by new

(Continued on page 2359)

*An address by Mr. Berge before the Insurance Law Section, American Bar Association, Atlantic City, N. J., Oct. 29, 1946.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Building Industry—present status and outlook in the current **"Review of Business and Financial Conditions"**—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Building Industry—study of the future for the industry in the **"Fortnightly Market and Business Survey"**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Distortions—discussion of economic distortions affecting business—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Five-Week Patterns of Prices & Volume—a classification of the weekly movements of trading velocity and the Dow-Jones Industrial Averages through the 20-year period 1926-1945—$1.00 per copy—Arthur A. Merrill, 1567 Kingston Avenue, Schenectady 8, N. Y.

Fortnightly Investment Letter—discussion of factors in the rail situation—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is the firm "Financial News Digest" containing data on several situations currently of interest.

Guide to the Perplexed—a challenge to the barrage of pessimistic statements—bulletin with a list of suggested stocks for income and capital appreciation—Strauss Bros., 32 Broadway, New York 4, N. Y.

Railroad Developments — current events—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Railroad Equipment Certificates—valuation and appraisal—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

Also available is a valuation and appraisal of **City of Philadelphia Bonds** and a compilation of **Pennsylvania Legal Bonds.**

Wall Street Commentator—digest of current events in the financial markets with reviews and analyses of several specific situations—Bennett, Spanier & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Also available is data on **Dunningcolor Corporation,** and **Leland Electric.**

Abitibi Power & Paper Co.—Circular—Ernst & Co., 120 Broadway, New York 5, N. Y.

Abitibi Power and Paper Company, Ltd. — memorandum — Dominion Securities Corp., 40 Exchange Place, New York 5, N. Y.

Aero-Chemical Co.—New memorandum—Greenfield, Lax & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available is a new memorandum on **United Utilities Specialty Corp.**

American Insulator—Memorandum—Peter Barken, 32 Broadway, New York 4, N. Y.

American Phenolic Corporation—Memorandum—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available are data on: **Barcalo Manufacturing Co.; The Commercial Shearing and Stamping Co.; General Machinery Corporation; Golden Crown Mining Co.; Higgins, Inc.; Highlights of Wall Street; O'Sullivan Rubber Co.; Plastics Materials Corporation; Silver Creek Precision Corporation.**

American Service Company—late data in the current issue of the **Adams Journal**—Adams & Co., 231 South La Salle Street, Chicago, Ill. Also contains a column of comment on current market trends.

American States Utilities Corporation—current analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

American Telephone & Telegraph Company—memorandum—Coffin & Burr, Inc., 60 State Street, Boston 9, Mass.

American Telephone and Telegraph Company—table of related values of rights, convertible debentures and capital stock—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Automatic Alarm — memorandum—Mitchell & Company, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Standard Screw.**

Argo Oil Corp.—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Wellman Engineering.**

Aspinook Corporation—Circular—Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Barcalo; Haloid; American Window Glass; Purolator Products; Upson Corp.; Alabama Mills.**

Bausch & Lomb Optical Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Bird & Son, Inc. — memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Company** and **Long Bell Lumber.**

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd. — Comprehensive study and analysis in brochure form—Fred W. Fairman & Co. 208 South La Salle Street, Chicago 4, Ill.

Columbia Gas & Electric—Study of the situation—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Columbia Gas & Electric Corp.—Analysis — L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

Connecticut Railway & Lighting Co. — Circular — Adams & Peck, 63 Wall Street, New York 5, N. Y.

Decker Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Manufacturing Co.; Long Bell Lumber Co.,** and **Miller Manufacturing Co.**

A. De Pinna Company—circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

General Manifold & Printing Co.—Bulletin—H. M. Byllesby & Co., Stock Exchange Building, Philadelphia 2, Pa.

Giddings & Lewis Machine Tool Company — special memorandum—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a special report on **Kern County Land Company,** and **Kaiser-Frazer Corp.**

Greyhound Corporation—Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **The Chicago Corp.** and **The Muter-Co.**

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

Indiana Steel Products Co. — Memorandum on interesting situation — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available is a circular on **Queen Anne Candy Co.**

Mar-Tex Realization Corporation — detailed memorandum for dealers—Rauscher, Pierce & Co., Inc., Mercantile Bank Building, Dallas 1, Texas.

New England Public Service Co. — Appraisal of values — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Indiana Public Service Company—recent analysis—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Pan American Airways Corp.—Study—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Parker Appliance Co.—Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Pettibone Mulliken Corp.—Bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Fred B. Prophet Company—Detailed memorandum—De Young Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation, —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Sheller Manufacturing Corp. — Recent report—**Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Universal Zonolite Insulation — Analysis — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a circular on **Chicago Hardware Foundry Co.**

Central Savings Bank Free Safekeeping for GI Terminal Leave Bonds

James T. Lee, President of Central Savings of New York has announced that the bank will provide free safekeeping of Armed Forces Terminal Leave Bonds for all veterans who are depositors of the bank. Mr. Lee said: "For the past five years, we have provided free safekeeping of U. S. War and Savings Bonds for thousands of our customers. Now we are happy to be able to offer a similar service to veterans who want to safeguard their Terminal Leave Bonds until maturity. We hope every ex-serviceman who is a customer of the bank will take advantage of these facilities."

Free safekeeping of bonds is provided at both offices of the bank—73rd Street and Broadway and 14th Street and 4th Avenue.

Cox To Be Dealer

(Special to The Financial Chronicle)

COLORADO SPRINGS, COLO. —J. E. Cox is engaging in a securities business from offices at 1334 North Wahsatch Avenue.

A Tax Program for Prosperity

By H. E. HUMPHREYS, Jr.*

Chairman, Finance Committee, U. S. Rubber Co.
Chairman, Tax Council, Nat'l Ass'n of Manufacturers

Holding present fiscal policy is inflationary and destructive of venture capital, Mr. Humphreys urges reduced government spending and a reformed tax system. Outlines NAM tax program as: (1) a general 15% income tax reduction; (2) a reduction of corporation taxes to level of 32%; (3) elimination of double taxation of dividends; (4) exclusion by 100% of the taxation of dividends received by one corporation from another; (5) allowance of consolidated tax returns without penalty; and (6) a carry-back and carry-forward of losses over six-year period. Favors equal taxation of cooperatives, and opposes planned economy.

The subject assigned to me today, "A Tax Program for Prosperity," is somewhat challenging in its implications. I have a disquieting feeling that it tends to "bring me on" with a sort of fanfare that is completely out of tune with what I really want to say to you. It implies too clearly, perhaps, that I can supply a panacea for all of our tax ailments. But I have no intention of outlining the ultimate peacetime tax system which we need so badly. Much more revision of the tax code is needed before we get to that task. I do want to talk to you about the transition tax program which we recommend to Congress when it starts to work on a tax bill. That start, we hope, will be made soon after the Congress reconvenes.

Harry E. Humphreys

Getting Down to Grass Roots

Our fight today is to keep our economy free and our credit sound. These objectives are as large as the nation itself because they have to do with the way 140 million Americans earn their bread.

It is for our own and our nation's welfare that we are gathered here. Let me explain. The National Association of Manufacturers believe government finance is important enough to industry to warrant holding at least one major conference of top-rank management in each region. Next to labor, perhaps, no subject holds more consequence to industry than does government finance. For industry's concern over the country's fiscal affairs transcends mere self-interest.

At these conferences — today's is one of eight which have been conducted in strategic cities — businessmen are invited to help formulate and guide the Association's policy in this field. We must have the opinion and experience of management leaders in every part of the country in order to shape national policy reflecting

(Continued on page 2352)

*An address by Mr. Humphreys before Indiana Industrial Conference, Indianapolis, Ind., Oct. 31, 1946.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

At the annual election of the Security Traders Association of Los Angeles, held on Oct. 29, the following new officers were elected:
President: Lawrence S. Pulliam, Weeden & Co.
Vice-President: Thomas J. Euper, First California Company.
Secretary: William Miller, Fairman & Co.
Treasurer: Robert Diehl, William R. Staats Co.


Robert Diehl


Thoms Euper


William Miller


Lawrence Pulliam

Board of Governors: Oliver B. Scott, Maxwell, Marshall & Co.; Joseph L. Ryons, Pacific Co. of California, and Nicholas P. Kirwan, Dean Witter & Co.

National Committeeman: Stephen C. Turner, Turner-Poindexter & Co., and Mr. Pulliam, President of the Association.

Alternate Committeeman: Clifford Poindexter, Turner-Poindexter & Co.

The Association is adopting a new constitution so the newly elected officers will serve until Jan. 1, 1948, the Association's year having been changed to coincide with that of the National Security Traders Association.

Mr. Pulliam was President of the group in 1936-37 and is the first of the local group to be reelected President for a second time.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold their twentieth anniversary dinner on Nov. 18, in the Banquet Hall of the American Furniture Club. Original members of the Club will be guests of honor.

Howard C. Morton, McMaster Hutchinson & Co. is President of the organization.


Charles N. Fisher


Howard C. Morton

PITTSBURGH SECURITY TRADERS ASSOCIATION

The recently formed Pittsburgh Securities Traders Association will hold its first regular meeting on Nov. 18. Charles N. Fisher, Singer, Deane & Scribner, President of the Association, will conduct the meeting.

Other officers are: George Lestrange, Moore, Leonard & Lynch, Vice-President; G. Clifford Bodell, Young & Co., Treasurer; Earl E. Sweitzer, E. E. Sweitzer Co., Inc., Secretary. Directors: Harry J. Steele, Fauset, Steele & Co.; John P. Woods, First Boston Corp.; John R. Klima, R. H. Johnson & Co.; James C. Lear, Reed, Lear & Co.; and William G. Simpson, H. M. Byllesby & Co.

FLORIDA SECURITY DEALERS ASSOCIATION

The Florida Security Dealers Association is holding its annual meeting and election of officers on Nov. 21 and 22, at the Soreno Hotel, in St. Petersburg, Florida.

The two day meeting will end with a banquet and dance at the Soreno Hotel.

SAN FRANCISCO BOND TRADERS ASSOCIATION

The San Francisco Bond Traders Association has elected the following new officers for 1946-1947:


Elmer L. Weir


Collins L. Macrae


John E. Buick

President: Elmer L. Weir, Brush, Slocumb & Co.
Vice-President: Collins L. Macrae, Wulff, Hansen & Co.
Secretary-Treasurer: John E. Buick, American Trust Co.
Directors: James M. Stewart, Wilson, Johnson & Higgins; L. J. Spuller, Elworthy & Co.; J. B. McMahon, Merrill Lynch, Pierce, Fenner & Beane; and Frank Bowyer, Schwabacher & Co.

Paul H. Davis & Co. Celebrate 30th Anniversary

CHICAGO, ILL. — Paul H. Davis & Co., of Chicago is celebrating today the 30th anniversary of its founding. When the firm was organized Nov. 7, 1916, in a small two-room suite at 39 South La Salle Street, much of the investment banking capital for industrial companies came from New York and few large industrial issues originated outside of Wall Street. Paul H. Davis & Co., was one of the early industrial underwriters in Chicago and the Middle West. A number of the companies it financed are now among the largest in the country.


Paul H. Davis

Original partners of the firm were Paul H. Davis, Arthur W. Wakeley, Isaac C. Elston, Jr., and the late Dr. George W. Hall. The former three remain active partners today with Herbert I. Markham, Ralph W. Davis, Thomas E. Murchison, Henry E. Greene, Luther Dearborn, Lyman Barr, Franklin B. Evans, Arthur G. Lilly, Louis J. Cross, George S. McEwan and Harry A. Trees, all of Chicago, and Dean D. Francis of Cleveland. Other offices are in Indianapolis, Rockford and Cleveland.

The initial business of the firm was as dealers in unlisted stocks and bonds. The first underwriting was done in 1920, the year the firm became a member of the Chicago Stock Exchange. Five years later it became a member of the New York Stock Exchange and is now believed to be one of the largest brokerage and underwriting firms with headquarters in Chicago. The partners have long been active in the affairs of the various exchanges. In 1935 Paul H. Davis was elected to the board of governors of the New York Stock Exchange and was reelected again in 1936 and 1938. He served two terms as President of the Chicago Stock Exchange and is a former Vice-President of the Investment Bankers Association. Ralph W. Davis is now chairman of the board of the Chicago Stock Exchange. The firm is also a member of the New York Curb Exchange and the Chicago Board of Trade.

Included in the long list of industrial companies for which the firm has acted as underwriter of securities are Bendix Aviation Corp., Bliss & Laughlin, Inc., Borg-Warner Corp., the Celotex Corp., Central Steel and Wire Company, Dixie Cup Company, Houdaille-Hershey Corp., National-Standard Company, Doehler-Jarvis Corp., Noblitt-Sparks Industries, Inc., Sangamo Electric Company, Snap-On-Tools Corp., South Bend Lathe Works, Woodall Industries, Inc., Walgreen Company, Harvey Hubbell, Inc., Woodward Governor Company, Mickelberry Food Products Co., Berghoff Brewing Corp., G. Heilman Brewing Co., and Longines-Wittnauer Watch Co., Inc. The firm was an important factor in the recent acquisition by Chicago management of the Boston Store properties. Partners now hold around 50 directorates on the boards of companies for which the firm has acted as investment banker.

"When this firm was organized, Chicago was beginning to be recognized as a principal center for industrial investment capital. In the past 30 years the growth of the Middle West has placed the city up front as one of the two main investment sources," said Paul H. Davis. "An increasingly large number of Middle Western companies, whose operations largely center in the Middle West, have turned to LaSalle Street to provide them with the investment capital they need, and there can be no doubt that this will not only continue but will be accelerated. Equally important is the growth of Chicago as a marketplace for securities. The Chicago Stock Exchange has reached a high point in its development and is now one of the world's principal securities exchanges."

Edward J. Prince Opens Own Inv. Business

CHICAGO, ILL. — Edward J. Prince has opened offices at 231 South La Salle Street, to engage in the securities business. Mr. Prince was previously with Bennett, Spanier & Co. and prior thereto was with Barcus, Kindred & Co. for many years.

Weinert with Robinson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Arthur J. Weinert has become associated with Robinson & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Weinert was formerly with Bache & Co. for a number of years.

Craigmyle, Pinney Opens New Orlando Branch

ORLANDO, FLA. — Craigmyle, Pinney & Co., members of the New York Stock Exchange, announce the opening of an office in the Orange Court Hotel. The new branch will be managed by B. W. Rising and brings to five the number of offices operated by the firm.

Real Estate Securities

Industrial Real Estate Trust General Mortgage Bonds Due April 1, 1949

These bonds, constituting a first mortgage lien against all the properties held by the Trust, are attractive from the standpoint of security, income and capital enhancement, which are discussed, in turn below.

Issued in the reorganization in 1937, in the par amount of $1,917,000, the bonds are currently outstanding in the amount of $1,261,738, having been reduced to this figure by payments against principal, and sinking fund purchases.

Security

The bonds are secured by first mortgages against three properties as follows:

1. Chicago Industrial Property—A 17-acre tract in the City of Chicago on the south side of West 35th Street immediately west of Iron Street within the Central Manufacturing District, adjacent to Sears Roebuck, Spiegel, and the Wrigley Plant. The property is improved by two large two and three-story buildings and is occupied by Harris Brothers Co., a long established retailer of prefabricated houses, a wholesaler and retailer of building materials and building contractors. A portion of this property is not rented by Harris Brothers and therefore is available for sale.

2. New Jersey Property—A 154-acre tract near Cresskill and Englewood about 6 miles from the George Washington Bridge. It is unimproved but suitable for residential development.

3. Joliet Property—A 15½-acre tract of land north of Joliet, Illinois, adjacent to the plant of the Illinois Steel Co.

In addition the trust owns for the benefit of the bondholders 10,000 shares or a 20% interest in Harris Brothers.

Income

The Trust's revenue is derived from its lease with Harris Brothers, lessee of the Chicago property. Under the terms of this lease, Harris Brothers pays an annual rental based upon gross sales, as follows:

3% of gross sales up to $3,000,000

4% of gross sales in excess of $3,000,000

This income, less expenses, is used by the Trust to make payments against cumulated bond interest (18¼% or $176.11 per $965 reduced par bonds). If interest of less than 3% per annum is paid in any year, the difference between the amount paid and 3% is added to the accumulations.

Capital Enhancement

As stated under the previous heading, the bonds carry interest accumulations of some 18¼%. The possibilities of the bonds being paid in full plus accumulations (a total of $1141) may be ascertained from the following prospective developments:

Sale of New Jersey Property

The Trust has received an offer which will return a minimum of $100,000 to the Trust for its New Jersey property. If this sale is consummated, and assuming, on a conservative basis, that these funds will permit the retirement of $100,000 par value of bonds, the savings to the Trust will be as follows:

Accrued, unpaid interest	$18,250
Annual New Jersey real estate tax	4,500
Annual cumulative interest charges	3,000
Total	$25,750

The funded debt with accrued interest will then be:

Bonds outstanding	$1,161,737.50
Accrued interest at 18¼%	212,017.09
Total	$1,373,754.59

Possible Dividends to the Trust From Harris Brothers

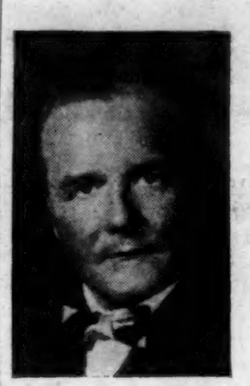
The Trust owns 20% or 10,000 shares of Harris Brothers Corp. Section 102 of the Internal Revenue Act forbids the improper accumulation of surplus by corporations applying principally to those companies in which a large percentage of the stock is closely held. Since Harris Brothers' surplus account shows approximately $10 per share in undistributed surplus, it is reasonable to assume that a large portion of future earnings will be distributed in dividends.

Operation of Percentage Lease Agreement with Harris Brothers

For the year ended May 31, 1946, when for the most part building was virtually at a standstill due to shortages of lumber, and other building materials and supplies, Harris Brothers, nevertheless, was able to gross approximately $3,273,000 of which the trust received $100,910 as a percentage rental. This figure may be enlarged in view of anticipated increases in Harris Brothers' sales volume.

Offer Int'l Bank Bonds In All Countries or Bar Sale in the U. S.

Commenting on a recent announcement that bonds to be issued by the International Bank for Reconstruction and Development will be offered only in the United States, Thomas Graham, of the Bankers Bond Co., Louisville, Ky., asserted that on the basis of American investor experience with foreign bond issues in the 1920's, "it seems that either these bonds should be sold in all of the countries where this bank intends to operate or there should be a prohibition against the sale to the American investor. It might be all right," Mr. Graham added, "for the Federal Government to run the capital risk, but there is no point in the individual investor also risking his capital. To be frank, unless these bonds are held by investors all over the world, they will not be paid."



Thomas Graham

Lambuth & Co. Opens In New York City

Lambuth and Company announces its formation as a securities firm, with offices at 76 William Street, New York City. Partners in the new firm are Earl Lambuth, formerly a general partner in James D. Cleland & Company, and Morris T. Sitkoff, who had been manager of that firm's trading department.

Prior to joining the Cleland organization last June, Mr. Lambuth was engaged in various successful enterprises in and around Denver, Col., among them the Lambuth Hog Farms and the Lambuth Poultry and Dairy Farms. For many years he was a director and principal stockholder of the Fremont County National Bank, Canon City, Col.

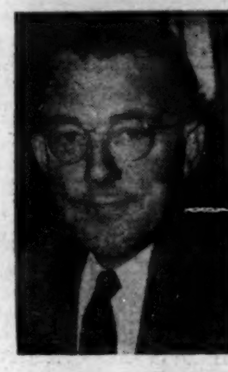
Mr. Sitkoff has been active in Wall Street since 1926, when he joined Ludwig, Robertson & Co. Prior to entering the Army in 1942, he was manager of the corporate bond department of Shaskan & Co. and before that was a bond trader with Neuhut, Plohn & Co. During the war he spent two years in the Pacific, most of that time on Saipan where he served as assistant to the Chief of Staff.

A Girl for McFarland

PHILADELPHIA, PA.—Born to Mr. and Mrs. James B. McFarland, 3rd (First Boston Corp., Philadelphia), seven pounds of femininity yclept Janice Roberts, on Oct. 19. Mother and daughter are fine and the father is recovering.

Alfred McGowan With New York Hanseatic

Alfred J. McGowan has joined the trading department of the New York Hanseatic Corporation,



Alfred J. McGowan

120 Broadway, New York City. Mr. McGowan was formerly with J. G. White & Co.

Inv. Banking Course At Buffalo University

BUFFALO, N. Y.—The University of Buffalo today announced that it has started a course in investment banking at its Millard Fillmore College. The course is being conducted in cooperation with the Investment Bankers' Association of America. E. Douglas Howard, Vice-President of Schoellkopf, Hutton & Pomeroy, Inc., is instructor and co-ordinator for the course. Classes are held Tuesdays and Thursdays from 4 to 6 p.m. The course lasts about six months.

"One of the primary purposes of the course is for training of returned servicemen who have entered the investment-banking field for the first time," said Mr. Howard. "It will also serve to broaden the knowledge of those already in the field and as a refresher for those who had left the business and are now coming back into it."

In addition to instruction in the fundamentals of investment banking, lectures will be given by experts on related topics. The approximately 35 members enrolled in the course are associated with the following concerns:

Schoellkopf, Hutton & Pomeroy, Inc.; Vietor, Common, Dann & Co.; Doolittle, Schoellkopf & Co.; Trubee, Collins & Co.; Hamlin & Lunt; Niagara Share Corporation; S. C. Parker & Co., Inc.; Forrest, Hammill & Co.; Harold C. Brown & Co.; Manufacturers & Traders Trust Co.; Marine Trust Company, and Otis & Co.

Anderson Now With Fewel & Co. Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Clarence F. Anderson has become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Anderson was formerly with Gross, Van Court & Co. and Maxwell, Marshall & Co. In the past he was manager of the trading department for Banks, Huntley & Co. and Searl-Merrick Co.

Annual Dinner Held By Cashiers Group

The annual dinner of the Cashiers' Section of the Association of Stock Exchange Firms was held Nov. 2 at the Hotel New Yorker with more than 500 representatives of the financial community in attendance.

John J. McDonald

John J. McDonald, of the firm of Peter P. McDermott & Co., President of the Cashiers' Section, presided. Joseph A. Costa, of L. F. Rothschild & Co., was in charge of dinner arrangements.

Among those present were Fred C. Moffatt, President of the Curb Exchange Securities Clearing Corporation; Charles Saltzman, Vice-President of the New York Stock Exchange, and Arthur Franklin, Vice-President of the Stock Clearing Corporation.

Marvin & Co. Admits Seeds to Partnership

PHILADELPHIA, PA.—Marvin & Co., Lincoln-Liberty Building, announce their admission to membership in the Philadelphia Stock Exchange. The firm also announces the admission of Joseph R. Seeds, Jr., to partnership in the firm.

J. S. Chick, Jr., With H. O. Peet in Omaha

(Special to The Financial Chronicle)

OMAHA, NEB. — Joseph S. Chick, Jr., has become associated with H. O. Peet & Co., Farnam Building. Mr. Chick was formerly manager of the trading department for Stern Bros. & Co., in Kansas City. Prior thereto he was with Folsom, Wheeler & Co.

Robert D. Cavanaugh With Lester & Company

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Robert D. Cavanaugh has become associated with Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Cavanaugh was formerly an officer of Cavanaugh, Morgan & Co.

Also now affiliated with the firm are Ward R. Cooper and Robert E. Davidson.

Sutro & Co. Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—William H. Keeney and Willis LeRoy Waters have become affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Pennsylvania Brevities

Pittsburgh Railways Reorganization Moves Ahead

With a Federal Court barking signals, Pittsburgh Railways Co.'s transportation system is moving well downfield toward its goal of reorganization.

Midfield play, which had been in progress since the system was placed under Trusteeship in 1938, was broken up on Oct. 14 when the U. S. Supreme Court refused to review a Circuit Court opinion holding that all component underlying companies were to be treated as a unit for purposes of reorganization. Thus sustained, the Circuit Court lateraled the matter to the U. S. District Court for Western Pennsylvania from where, it is anticipated, a quick succession of running plays will reach "pay-off" dirt.

A communication from W. D. George, Trustee, dated Oct. 25 and addressed "to all interested parties," states: "The action of the Supreme Court makes it possible to proceed with a system-wide reorganization plan dealing with the interests of the holders of securities and claims against Pittsburgh Railways Company, Pittsburgh Motor Coach Company and the underliers. Steps toward this end will be taken as rapidly as practicable."

Out of the muddle and into a huddle, on Nov. 1, went a group of attorneys representing a majority of the parties at interest. The discussion was reported as informal and preliminary.

Penalty Against Philadelphia Company?

It is strongly felt that the terms of the reorganization plan will be shaped to conform with an important decision soon to be announced having reference to a possible subordination of Philadelphia Company claims. The parent company has been charged with almost everything from "delaying the game" to "illegal holding." The Circuit Court is again acting in the capacity of umpire with the SEC looking on as field judge.

The benison of something over $23,000,000 in cash, held by the Trustees, is expected to provide the "oil" to facilitate the early consummation of an acceptable plan. Should the "Deep Rock" principle be applied to Philadelphia Company's holdings, the owners of some $12,000,000 publicly-outstanding system bonds feel that they will make out very substantially above present market quotations.

* * *

PTC Fare Rise Postponed

Higher street car fares for Philadelphia, which would automatically have gone into effect last Tuesday, have been postponed for another three months by the Pennsylvania Public Utility Commission. Although an investigation into the "reasonableness, fairness and justness" of the new rate schedules has been in intermittent progress since last April, the Commission has found that its hearings were far from completed. Unless the Commission rules otherwise, the higher fares will become effective Feb. 5, 1947. Foreshadowing its demise before a final determination of the matter, OPA has dropped its efforts at intervention on the side of the city in opposing the increase.

* * *

Cramp Shipyard

Announcement was made last Monday that the Navy has completed arrangements to purchase Cramp Shipbuilding Co.'s facilities in Philadelphia. The reported price is $750,000, which covers the purchase of ground and facilities not already owned. Approval of stockholders is expected at a special meeting to be held within the next few weeks.

The Navy has indicated that it would consider leasing the yard to private interests provided its essential characteristics are not changed. Cramp's facilities are deemed necessary to the national defense and must be held available for possible future emergency.

* * *

General Manifold & Printing Co.

Dealer interest has widened since stockholders, last month, approved a 5-for-1 split-up of the company's 20,000 common shares. In reducing par value of the new shares from $10 to $2, the company's capitalization of $200,000 remains unchanged. Incorporated in Pennsylvania in 1907, the company is engaged in commercial, industrial and railroad printing, specializing in duplicating, carbon-backed and carbon-interleaved printed forms. Products include office, factory and accounting forms, order books, vouchers, pay envelopes, banking, brokerage and insurance forms, taxbills for cities and counties, bills of lading, dining car checks, restaurant and club checks, duplicating rolls and sundry items. Based on the new stock, earnings for 1945 were reported at 90 cents per share.

* * *

Alan Wood Steel Co.

Although strikes and shortages in the first quarter resulted in a net loss of $263,422, June quarter profit enabled the company to reduce the half-year loss to $133,375. According to J. T. Whiting, president, operations have continued favorable through the third quarter and "indications are that we will be in the black for all of 1946."

A committee appointed by the management has under consideration various plans of reorganization designed to eliminate the preferred stock issue, which carries accumulation of $55.75 per share, and to provide additional capital for rehabilitation of the property.

* * *

Penna. Co. Buys Erie National

Sale of the assets of the Erie National Bank of Philadelphia to the Pennsylvania Co. for Insurance on Lives and Granting Annuities, at a reported price of $1,800,000, was approved last week at meetings of the boards of directors of both banks. Provided the action is ratified by Erie stockholders at a special meeting to be held Nov. 18, the transfer will be effective at the close of business Nov. 23. William Kurtz, president of Pennsylvania Co., said the Erie officers and employes would continue as members of the Pennsylvania Co. organization.

* * *

Hajoca Corp.

Reflecting net earnings of $8.83 per share for the first nine months of 1946, directors of Hajoca Corp. have increased the quarterly dividend from 62½ cents to 75 cents.

In announcing the higher dividend, W. A. Brech, president, said sales for the period were 44.8% greater than a year ago. For 1945, the company reported net profit of $215,747, equal to $3.59 per share on the 60,000 shares then outstanding. During the summer, 10,000 additional shares were offered to stockholders at $25 per share. Proceeds are being used to finance the company's expansion program including construction of four warehouses. The company manufactures and distributes plumbing, heating and roofing supplies throughout the East.

* * *

Wawaset Securities Co.

This holding company owns 241,800 shares (slightly over 50%) of Warner Company common, the latter company being the largest producer and distributor of sand, gravel, central-mix concrete limestone and limestone products in the Philadelphia area. Wawaset's sole capitalization consists of 126,823 shares of common stock. Thus each share of Wawaset represents the ownership of approximately 1.9 shares of Warner and a market relationship between the two stocks is readily determinable. Until such time as Wawaset Securities Co. is dissolved and its Warner common is distributed, dividends received from Warner Company will be distributed to the extent available to Wawaset common stockholders.

In pursuance of this policy, Wawaset paid an initial dividend of 25 cents per share on Oct. 25, having received 15 cents per share on its Warner holdings on Oct. 15. With Warner Company earnings for 1946 estimated at over $2 per share, it is likely that both stocks may declare year-end extras.

* * *

Philadelphia National Bank

Directors of Philadelphia National Bank have authorized the transfer of $8,000,000 from undivided profits to surplus account. The bank now has capital of $14,000,000, a surplus of $36,000,000 and undivided profits of $6,862,503.

Railroad Securities

History does repeat itself. Any one who over the past 10 years has followed developments in the railroad industry even in the most superficial way can hardly have escaped the conclusion that the Interstate Commerce Commission is a deliberative body. In reorganizations, abandonments, rate cases and even in uncontested merger cases there has never been anything hasty about Commission decisions. Earlier this year it took months even for the railroads to get restoration of Ex Parte 148 temporary freight rate increases. With all of this background, and with all history and logic against it, rumors have already been current that a Commission decision on Ex Parte 162 freight rate increases are imminent. These rumors started practically before the ink on final briefs filed in the case had had time to dry.

It is probable that a large proportion of the railroad analysts have been convinced that market pessimism towards railroad securities had been overdone and that at least the sound stocks and bonds were on the bargain counter. Earnings have begun to improve. Railroad traffic in recent weeks has been at the highest level in many years. There is optimism that the Commission will be liberal in allowing reasonable rate increases. This latter confidence has been bolstered by last week's decision in Ex Parte 163 increasing railway express rates. The consensus had been that because of the extremes to which the pessimism had gone railroad securities were in a good position to stage a substantial rally.

Despite the general feeling of bullishness, it is doubtful if many analysts looked for such a vigorous upturn as were experienced late last week and it is also doubtful if such a sharp rally would have occurred except for the rate rumors. Analysts concerned with the long-term soundness of the rail market rather than with trading profits are, in fact, concerned over this new evidence of mercurial public sentiment. It is only necessary to look back to last spring to realize the dangers inherent in "rumor markets." At that time, too, reports began to circulate late each week that a rate decision would be handed down over the weekend. Time after time the decision failed to materialize as advertized, bringing disappointed selling early each week. The decision that was finally handed down by the Commission would have been construed favorably under ordinary circumstances. As it turned out, coming after a succession of rumors, it was bound to prove an anti-climax. One trouble with rumors is that each successive one must promise more than the preceding one to cause any enthusiasm. By the time the rumor has been sweetened four or five times, it is natural that the event must fall short of the promise.

It is perhaps natural at this time of the year that the rumors are given their air of authenticity by reference to "informed sources" who state that President Truman has put pressure on the Commission for an immediate increase. This sounds much better coming on the eve of an important election, although how it would change the voting is difficult to visualize. It also sounds strangely familiar to those whose memories go back as far as six months. In the rate case earlier this year "informed sources" (perhaps the same ones) were saying that in return for the railroads agreeing to wage increases larger than those recommended by the Fact-Finding Board President Truman had promised them an immediate rate increase virtually meeting their full request. The interim increase they did get after considerable delay fell far short of what they had asked for.

In view of the apparent background for the sharp rally of late last week, in which rail stocks were the star performers, many rail analysts are inclined now to adopt a temporarily more cautious attitude. A word to those who hear rumors appears prudent at this time. There is no record of any leak as to time or nature of any Interstate Commerce Commission decision. The present instance is not apt to be any exception.

Points to Need of Higher Rail Rates

Guaranty Trust Co. of New York, in its monthly publication, holds interim increase granted by ICC of 6½% will tide companies over for brief period, but a much higher rise must be permitted to assure adequate compensation to offset greatly increased operating costs.

"Reports of the financial results of railway operations, together with estimates submitted at the recent hearings on the railroads' petition for an increase in freight rates, have revealed a glaring disparity between rates and costs. This is a situation that requires prompt and adequate correction because it threatens to result in a financial position that would make it impossible for the railroads to render the quality of service indispensable to maximum industrial productivity and hence to national economic welfare," states the Guaranty Trust Company of New York in the current issue of "The Guaranty Survey," in its monthly review of business and financial conditions in this country and abroad.

Railway Traffic and Earnings

"Although the volume of freight traffic in the first six months of 1946 was nearly 26% below that a year earlier, it was larger than in any comparable peacetime period," the "Survey" continues. "Much the same was true of passenger traffic. Fixed charges were substantially less than in the first half of 1945 and far below the figures for corresponding periods of prewar years. Tax accruals were less than one-third as large as in the first six months of 1945. *But more than 86 cents of each revenue dollar went to pay operating expenses alone, as against only 68 cents a year earlier.* This sharp increase in the cost of operation left such a small amount available for other purposes that even the reduced taxes and other charges were more than the railroads could meet without 'running into the red.'

The Current Position

"Recognizing that there is no prospect of maintaining an adequate long-term level of earnings under the existing rate-cost structure, the railroads have asked permission to increase freight rates by a general flat amount of 25%, with numerous exceptions that would reduce the average realized increase to about 18 or 19%. The Interstate Commerce Commission, pending thorough study of the rate application, has authorized an interim increase, effective July 1, estimated to average about 6½%. Hearings and oral arguments on the application for the larger increase ended late in September, and the question is now before the Commission for settlement.

"The most comprehensive estimates of future earnings presented at the recent hearings on the rate application were those of Dr. Julius H. Parmelee, director of the Bureau of Railway Economics of the Association of American Railroads. Dr. Parmelee pointed out that the aggregate increase in railroad wage rates and in average prices of fuel and supplies since the beginning of the war has amounted to more than 50%, representing a rise of more than $2 billion a year when applied to the actual and estimated volume of traffic in 1946. Against this rise, he said, the interim rate increase that took effect on July 1 of this year is expected to produce about $300 million in additional freight revenue. Even the 19% increase asked by the railroads appears small in comparison with the rise in costs. With the full amount of the increase that is asked, according to Dr. Parmelee's estimates, net income in 1947 would be less than $250 million, which is 'substantially less than half the annual income the industry needs if it is to continue to provide the kind of transportation services required by the nation's economy.' As costs and rates stand now, he believes, the railroads are likely to lose more than $300 million next year.

"Another point emphasized by railway spokesmen was that the proposed increase in rates would have little effect on prices. It would amount to only about 1% of the wholesale value and a still smaller proportion of the retail value at the destination points of commodities transported by rail, according to J. Carter Fort, vice-president and general counsel of the AAR. Another witness pointed out that the proposed rates would represent a lower percentage of the value of the commodities that would move under them than was the case in 1941.

Need for Adequate Compensation

"The meaning of sound and efficient railway transportation to our national economy was demonstrated with especial force by the outstanding contribution of the railroads to the war effort. In 1944, when the traffic load was at its peak, the railroads carried 70% of the country's commercial freight traffic, handling almost twice the volume of freight transportation and more than twice the amount of passenger traffic carried in 1918, the peak year of World War I. This unprecedented traffic load was carried under grave handicaps, including scarcities of equipment, materials and manpower and one of the most severe winters on record. The task was performed with one-third fewer locomotives, one-fourth fewer freight cars and nearly one-third fewer passenger cars than were used in 1918, and with only three-fourths of the number of employees. The huge wartime traffic volume yielded a net return averaging less than 5% a year on the railroad's property investment, and cash dividends paid to stockholders averaged less than 3% a year on the capital stock outstanding.

"Aside from the question of transportation service, no section of our economic system as large as the railroad industry can fall into financial adversity without seriously affecting the economic situation as a whole. The railroads give direct employment to nearly one and a half million persons and contribute indirectly to

the employment of millions more. Their payrolls alone contribute nearly $4 billion a year to consumer income. Their capital expenditures average about half a billion dollars annually. Their interest and dividend payments constitute an important part of the income of educational, religious and charitable institutions, as well as savings bank depositors, beneficiaries of life insurance policies and trust funds, and individual investors, many of whom are aged and disabled persons without other means of support.

"The responsibility of the Government for a fair settlement of the rate question is exceptionally clear in the present instance. Both wages and prices have been subject to emergency governmental controls. Wage advances have been granted on the recommendation of governmental boards, and the awards of last spring were increased by the President himself after seizure of the railroads. Thus the existing levels of wages and prices, as well as of rates, are to a large extent the outgrowths of governmental action.

"In cases where the proposed general increase in rates would severely affect particular industries and products, or where it would defeat its own purpose by diverting traffic to other transportation agencies, such potential effects should of course be examined and averted. These are questions related to specific rates rather than to the general rate level. As a broad proposition, the urgency of the need of financial relief for the railroads would seem too clear for serious disagreement. Favorable action on the pending rate application is the only visible and practicable way in which such relief can be obtained."

Gerald Nielsen With Kalb, Voorhis & Co.

Kalb, Voorhis & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Gerald B. Nielsen, a recognized authority on economics and foreign trading and investment practices, has joined its newly established foreign department, which will offer a specialized service for individual, corporate and institutional investors overseas.


Gerald B. Nielsen

Before joining Kalb, Voorhis & Co., Mr. Nielsen was associated with Francis L. duPont & Co., and prior to that with Merrill Lynch, Pierce, Fenner & Beane. He organized the foreign department of the former firm, and established and managed the Overseas and Servicemen's Department of the latter.

Nr. Nielsen is well known in South America and European capitals. He has just returned from a tour of Continental Europe and England where he made a survey of business and economic conditions. He is a frequent contributor to the Exchange Magazine, author of a handbook on London Stock Exchange securities practices, and was at one time economics editor of the American-Scandinavian.

In addition to their regular investment brokerage activities, Kalb, Voorhis & Co. engage in corporate financing and arbitrage and maintain an extensive securities research department that makes field surveys of industries and companies and studies special investment situations.

Building Fund Appeal For Church at Pine St.

An appeal is being made for the construction of the Church of Our Lady of Victory to be erected in the heart of New York City's financial district, at Pine and William Streets, to be raised as a memorial to our armed forces.

The appeal is being carried forward by a volunteer committee of its friends in the financial district of every faith.

Members of the Committee are:

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Honorary Vice-Chairman: His Excellency The Most Reverend J. Francis A. McIntyre.

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Mutual Funds

By BRUCE WILLIAMS

"Points of Strength in the Business Situation"

"The recent decline in the stock market has clouded investors' perspective on certain fundamental facts. To preserve a balanced judgment in the face of prevailing pessimism, these favorable factors deserve consideration:

"1. In spite of strikes in basic industries, scarcities of raw materials and other reconversion problems, the national income is running at virtually the peak level reached in the war—and business activity is expanding.

"2. Retail sales (a measure of consumer purchasing power) are showing weekly increases of from 30% to 50% over the then record level of last year, although stores are still short of many types of goods.

"3. As yet industry hasn't even made a dent in the deferred demand for durable goods—houses, household appliances, automobiles, rail equipment, industrial machinery, and thousands of other products.

"4. The inflationary forces created by deficit financing are not fully reflected in the price level—mainly due to price fixing. For every dollar which the public held before the war, it now has over $3. This expansion of the money supply will exert a strong influence on prices and business activity for years to come. Additional reasons for expecting a postwar price level substantially higher than before the war are (1) there is a government-supported floor under agricultural commodities, and (2) union labor wages have been boosted to high levels and are not likely to be reduced.

"5. Liquid savings of the American public have reached the fantastic total of $171 billion since 1940. Furthermore, liquid savings in the second quarter of this year (latest available) were running at the annual rate of $22.8 billion, as compared with $4 billion in 1940. In the face of these figures, the fear of an exhaustion of public purchasing power seems exaggerated, to say the least.

"The decline in security prices has made it possible to buy most grades of bonds on a more generous yield basis. Equities of American business can be obtained at substantially lower prices and at higher rates of return than were available a few months ago."—*From a recent issue of Keystone Corp.'s Keynotes.*

Affiliated Fund Reduces Bank Loans

More than half of the shareholders of Affiliated Fund, Inc. took additional shares rather than cash for the special 75-cent dividend. This released $1,600,000 of the cash Affiliated had acquired earlier (at higher market levels) and "earmarked" for the dividend.

Affiliated Directors have appropriated this released cash, plus $1,400,000 of uninvested new money, to reduce bank loans from $8,000,000 to $5,000,000 as of Oct. 28.

Affiliated now has a fully invested portfolio of $26,000,000 represented by $21,000,000 of equity and $5,000,000 of bank loans.

Investors Syndicate Promotes Three Officers

Investors Syndicate, one of the largest mutual fund sponsors and the only one to maintain a national retail sales organization, recently promoted three members of its executive staff and created a new department to keep pace with its expanding investment services and record volume of new business.

Robert L. Smith, Jr. Vice-President, has been named head of the new department designated as "Conservation, Research and Education." Mr. Smith, former Securities Commissioner of Minnesota, more recently headed the company's Sales Department.

Clyde J. Moore, former assistant general sales manager, has been elected a Vice-President of the company. Mr. Moore will be the administrative and executive officer of the sales department.

Grady Clark who has served in various sales executive capacities since 1934 has been named general sales manager. He will be in direct charge of all sales personnel and sales activities in the field.

From Recent Quarterly Reports

Incorporated Investors—As of Sept. 30, 1946, total set assets stood at $70,154,390 compared with $78,016,659 a year ago. Realized profits at the end of the quarter were $2,851,206, equal to $0.97 per share, and unrealized profits were $10,455,918, equivalent to $3.56 per share.

Fundamental Investors—Total net assets on Sept. 30, 1946 were $20,884,375 compared with $19,264,606 at the beginning of the year. At the end of the quarter 71.1% of net assets were invested in common stocks, 5.5% in appreciation-type bonds and preferreds, and 23.4% in cash or its equivalent.

Republic Investors—Net assets including funded debt on Sept. 30, 1946 amounted to $1,187,594, of which $699,724 was applicable to the common stock. This leverage-type fund increased its cash reserves sharply in the months prior to the recent sharp market decline. From a 10% cash position on July 31, 1946, this category was increased to 34% on Aug. 28 and to over 40% as of Sept. 30.

Eaton & Howard Balanced Fund—Net assets totalled $23,419,318 on Sept. 30, 1946 compared with $15,757,465 a year ago. At the end of the quarter investments were divided as follows: Cash and U. S. Government Bonds, 13.7%; Corporate Bonds, 8.8%; Preferred Stocks, 25.9%; Common Stocks, 51.6%.

Digest of Recent Literature

Lord, Abbett—New individual brochures on **Affiliated Fund, American Business Shares** and **Union Trusteed Funds.**

Hugh W. Long & Co.—New folders entitled, "Price Habits of Steel Stocks," "Why Metals Stocks Are Worth Considering Now," "Why Machinery Issues May Be Considered Good Investments Today," "Why Building Supply, Machinery, Metals, aRilroad Equipment, Steel May Be Considered Better Investments Today."

National Securities & Research Corp.—Current issues of "Investment Timing" discussing the Administration's new decontrol policy and the future of commodity prices; a memo comparing the stability of **National Bond Series** with the action of the stock market.

Distributors Group—New or revised folders on the following Groups: Fully Administered Shares, Industrial Machinery Shares, Petroleum Shares, Railroad Equipment Shares, Steel Shares, and Tobacco Shares.

Commonwealth Investment Company—A revised prospectus dated Sept. 20, 1946.

Calvin Bullock—New folders on **Dividend Shares, Nation-Wide Securities,** and **Bullock Fund**—Current issue of "Perspective" analyzing the present inventory situation.

Eaton & Howard—a new folder, "Fourteen and One-Half Years of Stewardship."

National Investors—New booklet describing Union Service Corp. which provides investment for **National Investors** and **Broad Street.**

Hare's Ltd.—Memorandum comparing economic conditions in 1919-1920 and today.

Dividends

American Business Shares—A regular quarterly dividend of three cents per share and an extra dividend of 25 cents per share payable Nov. 20, 1946 to holders of record Nov. 6.

Bullock Fund—A dividend of $1.20 per share payable Nov. 30, 1946 to holders of record Nov. 15.

[The views expressed in this article do not necessarily coincide with those of the "Chronicle." They are presented as those of the author only.]

Lavan Director of American Securities

The election of Peter I. B. Lavan as a director of the American Securities Corporation, 25 Broad Street, New York City, was announced by Charles G. Terry, President. Mr. Lavan is general counsel for the company and senior partner of the law firm of Stroock & Stroock & Lavan. He is also a director of United Merchants and Manufacturers, Inc., Winter & Company, Inc., and William Sellers & Company, Inc.

Peter I. B. Lavan

C. A. B. Boss With Broad Street Sales

The Broad Street Sales Corporation, 65 Broadway, New York City, announces that Charles A. B. Boss has become associated with them as northeastern Wholesale Manager. Mr. Boss was formerly Sales Manager of J. H. Goddard & Co. of Boston.

Manning With Paine, Webber, Jackson & Curtis

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Stevens Manning has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Manning was previously with Thomas Kemp & Co. and prior thereto was in charge of the municipal department of the local office of Blyth & Co., Inc.

"British Imperialism" Is a Spook

(Continued from page 2341)

tury is something very different from the British Empire of the 19th century. And the South African war formed the turning point in that great change, and has in that respect become part of world history. What we may fairly call a national change of heart came about which was in no small measure due to the brave resistance put up by one of the smallest of peoples against the mightiest Empire of that day. The British people were profoundly stirred and moved, and their more generous instincts found expression in one of the most spectacular acts, which has likewise become a part of world history. Five years after the conquest of the Boer Republic free self-government was in most generous measure conferred on their people, and the old Boer leaders were once more in control of the government of their country. It was a step without precedent in history. Nor was it all: it was only the first but the all important first step in a progressive policy which led a few years afterwards to the Union of all the South African Colonies, including the former republics, into a strong Dominion. And in due course there arose the British Commonwealth of Nations, including Britain and all the other Dominions, the Colonies of yesterday, now sovereign states with complete control of their destinies. The 19th century wave of Imperialism had finally receded, the tide of freedom had swept on and changed the face and substance of things. A far-reaching transformation had been consummated, and in the advance to freedom the old British Imperialism had been finally defeated. Iraq and Transjordania can tell a similar tale. India, Burma, Malaya, Ceylon may tell it tomorrow. Something has happened which has transformed the old British Empire, and is having its effects far beyond the limit of the old Empire. The British move for freedom has become the spearhead of a large world movement, in which not only the British possessions but many other parts of the world have been caught up. The audacious attempt for world dominion, made by Hitler's Germany, has been finally defeated, and the spirit of Freedom goes marching on. Not only Britain but the British Dominions also, the inheritors of the new Freedom, have borne their part in this great victory, and have helped to win for the world what they had won for themselves.

"British Imperialism" a Spook

Consequently, to talk of British Imperialism at this time of day is really, to use a vulgar expression, barking up the wrong tree. The thing is dead and buried. It received its death wound in the Boer War, and ever since it has shrunk and shrivelled away, until today it is but a spook, a mere scarecrow for frightening those who do not or will not know. This is not propaganda. It is the truth. It is history—the history of the British group for the last half century. And, incidentally, it is my own story, who lived and strove through it all, and now give my personal testimony of the great shift of history in our age. Please do not talk to me of British Imperialism. I know all about it, knew it in its heyday and suffered under it, and helped to scotch it. I have seen it disappear into the night of the past. I speak, not from hearsay, but as an eye-witness, a participant in that struggle and its glorious consummation.

Truth About British Policy Obscured

This is the truth. But it is remarkable how old impressions persist and obscure the new facts. It sometimes takes a long time before the new truth prevails and dispels memories which have really become mere illusions. George III remained a spook, an active ghost in the USA long after the successful struggle of independence. I do not know that it has quite disappeared even yet, when the old Thirteen has grown until it has become the most tremendous world power, and the United Kingdom speaks but with a subdued and modest voice in the council of the nations. But the ghost of George III is as nothing compared to this new spook of British Imperialism, which in its turn departed this life from a country which has since become the mother of free nations as no other on earth, and who has fought two great world wars for Freedom to the very limits of its physical and economic exhaustion, and who is still continuing to make her magnificent contribution to the human advance. The very significance of the British contribution to the cause of peace is just this—that British policy has deliberately renounced and turned its back on Imperialism, and in our era has espoused the cause of freedom and emancipation with all the moral and physical forces at its disposal. That is why a man like myself, and my old Boer comrades who fought against Britain in the past have not hesitated to fight on her side now. Her magnificent gesture and behaviour to us in South Africa, and her heroic devotion to the cause of human freedom in the world struggle since, have convinced us of her goodwill and her good faith. Freely she gave us back in peace what, and more than what, she had taken from us by war. These are the people with whom one would venture forth on the fateful choices and dangerous paths before the world. They can be trusted in the guardianship of the peace and our other human ideals. Others may be more powerful, but the moral purpose and strength which the British group brings to the guardianship of world peace are outstanding, and cannot be questioned.

War Potential Not the Whole Story

Let me pursue this point a little further. It is said, that of the Big Three the British group is not the equal of the other two in respect of war potential. Even if this should be so, it does not tell the whole story. True, it has not the vast economic and industrial resources of the USA, nor the immense continuous land mass and defensive position of the USSR. But it has something no less valuable and precious in what is essential to world power. It has the large background of history, the maturity of outlook and purpose, the long experience of human government in all parts of the world, the practical acquaintance with human nature in its political aspects, in short the know-how in running world affairs. It has a certain moral quality which its critics deride, but is none the less real. These imponderables weigh up against very heavy assets of a more tangible character. The worl dwants them. It does not live by bread and the machine alone. Mere power is not enough. The British group brings into the pol a human contribution which is absolutely essential to world peace, and without which the other more tangible contributions of the other two might fail. It may not excel in the things which make for Imperialism, but its contribution in human qualities of balance and moderation, of good sense, good humor and fair play, of moral purpose and outlook, is of a very special character. They are worth more than scores of divisions, and without them the divisions must ultimately fail.

British Gifts Needed for World Organization

There is thus a great diversity in the gifts and contributions of the Big Three—but all are needed in the service of world peace and human progress. And the British contribution is not the least valuable and necessary for the security we wish to build up in our World Organization. To talk of imperialism in this connection is to miss the whole point, and to make a travesty of history—especially of the history of the last half century.

But the British Commonwealth has another significance for our international order. In some respects it is a pointer to the future. This is no longer a subject of merely academical interest, especially as such problems as those of atomic energy and the like, could perhaps not be effectively handled unless there is a new set-up in human government. What contribution could the British group make in this connection?

Let me irst say a word about the constitutional position in the British Commonwealth. Britain and the other Dominions are not a bloc of states pledged to follow common policies. Nor are they a group in which the most important member—Britain—dominates the others. They are all free sovereign states, all equal in status, each with full power to determine its own policy and destiny. Their common bond is the common crown or king, who is in fact the hereditary president of a number of sovereign democracies. They meet for common consultation without being bound to follow any resolutions taken, and recognize therefore no right of veto. They need not even support each other in war, as the recent case of Ireland has shown. But under the common king they cannot go to war with each other without secession from the Commonwealth. As co-members of the Commonwealth there is therefore perpetual peace among them. They follow their own fiscal and economic policies, which show wide differences. But all follow certain fundamental principles of government which, as copied from their practice, have been largely embodied in the Atlantic Charter.

New Phenomenon in Government

Here is therefore an entirely new phenomenon in human government, quite unlike the old Empires or the newer federations of today. Safeguarding as it does both the sovereign freedom of its members and peace among them, it is the most novel and unique experiment in constitutions ever made. And this unique system is not a vision in cloudland but an actually existing working system which has survived the storms of an era, in which great empires have foundered. Nor was it planned by constitutional lawyers or theorists, but has grown up empirically in the constitutional practice of a free group, which lies scattered over all continents and among diverse races of men. It is the most interesting, if not the most promising, evolution yet seen in the constitutional relations of large masses of mankind.

It is a freer and looser system than the American Federal Union, but likewise preserves internal peace and fundamental principles of government. It is much closer and more effective than the Pan American Union. It is not so tight as the Soviet Union which is dominated by the most powerful member of the USSR. It is unique in its combination of the freedom of its members with the peace and security of the whole. Perhaps its points to the type of government which will best suit the twin ideals of freedom and peace for which mankind is undoubtedly making.

If, for instance Europe, or a large part of it, could see its way to forming a European Union in which the essential constitutional principles of the British Commonwealth could prevail, we may at long last see that noble old mother Continent of our common civilization emerge from its confusions and miseries and realize its freedom and peace in a new renaissance more glorious than any in its great past. And so, by progressive advance on somewhat similar lines, we may eventually see peace on earth and freedom among men dwelling in goodwill together. Where so much has already been achieved by so large a portion of mankind as is comprised in the British Commonwealth, and Empire, we need not despair of the eventual, though perhaps still far off, realization of similar conditions of peace and freedom for the human race as a whole. There is essentially no ground for pessimism, having before us this practical example of what is possible, and this stimulus to press on towards the attainment of the most beneficent of all ideals before the human race. UNO itself may perhaps pre-suppose the establishment of some such constitutional arrangements on a wide basis, and may only come to function successfully for universal peace and freedom on such constitutional foundations. The British Commonwealth may be a milestone on the road to that ultimate goal, and a valuable pointer towards it.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has reported the following firm changes:

The Exchange membership of Walter F. Seeholzer will be considered for transfer to William S. Sagar on Nov. 14. Mr. Sagar will do business as an individual floor broker and the firm of Sagar & Seeholzer is being dissolved on Nov. 8.

Interest of the late Walter J. Herzfeld in Herzfeld & Stern ceased on Oct. 31; Max Reichenbach and Kurt Berger, trustees under trust indenture dated Oct. 30, 1945 for Elsa H. Naumburg and Max Reichenbach and Kurt Berger, trustees under trust indenture dated Oct. 30, 1945 for Beatrice H. Reichenbach, admitted as limited partners, effective Nov. 1, 1946.

Arthur A. Blaicher, general partner, and Leland H. Ross, Jr., limited partner, and member of the New York Stock Exchange, withdrew from partnership in Coggeshall & Hicks on Oct. 31.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Since Dec. 31, 1945, a group of 21 representative fire insurance stocks have experienced an average market decline of 13.6%. This compares with a decline of 12.3% for the Dow-Jones Industrials. The maximum decline was —18.9% for Great American and the minimum decline was —1.0% for New Hampshire, followed by —3.4% for Insurance Co. of North America.

This average decline of —13.6% leaves the 21 stocks at an average of 30.2% above their 1942 lows, while the Dow-Jones Industrials are 82% above their 1942 lows. This lag of fire insurance stocks is undoubtedly a reflection of the poor underwriting results occasioned by the heavy fire losses of the past three years.

The accompanying tabulation shows the market performance of each of the 21 stocks for the period from April, 1942, to Oct. 31, 1946, and from Dec. 31, 1945, to Oct. 31, 1946.

	Low of April 1942	Asked Prices 12-31-1945	Asked Prices 10-31-1946	% Appreciation from 1942 Low	% Change from 12-31-1945
Aetna Insurance	46⅛	58½	52	12.7%	—11.1%
Agricultural Insurance	57	89½	76	33.3	—15.1
*Boston Insurance	497	790	64½	29.8	—18.4
Continental Insurance	31	56½	47	51.6	—16.2
Fidelity-Phenix	30	63½	51¾	72.5	—18.5
†Fire Association	43	69	57	59.1	—17.4
Franklin Fire	22	26¼	23	4.5	—12.4
Great American	22⅞	35⅝	28⅞	26.2	—18.9
Hanover	19⅜	32¼	27¼	40.6	—15.5
Hartford Fire	76¼	122½	102¼	34.1	—16.5
Home Insurance	23⅞	31¾	26⅞	12.6	—15.4
Insurance of North America	56¾	96¼	93	63.9	— 3.4
National Fire	47⅜	62	54½	15.0	—12.1
New Hampshire	39⅜	52½	52	32.1	— 1.0
North River	18¾	25½	22¾	21.3	—10.8
Phoenix	73¾	97	83	12.5	—14.4
Providence-Washington	29⅞	41	36	20.5	—12.2
‡St. Paul F. & M.	221	79	70	58.4	—11.4
Security (New Haven)	33⅞	37	31	— 8.5	—16.2
Springfield F. & M.	104	128	112½	8.2	—12.1
U. S. Fire	37⅜	60	50	33.8	—16.7
Average				+30.2%	—13.6%

*Adjusted for 10 for 1 stock split. †Adjusted for 20% stock dividend in 1945. ‡Adjusted for 5 for 1 stock split.

The appreciation from the 1942 lows is very erratic, it will be observed, and ranges between a high of 72.5% for Fidelity-Phenix to a low of only 4.5% for Franklin, while Security of New Haven is actually lower than in 1942.

Security's earnings during the past four years have been rather meager, as shown herewith:

Year—	Net Und. Profits	Net Inv. Inc.	Fed. Taxes	Total Net Operating	Dividends
1942	$0.00	$1.96	$0.15	$1.81	$1.40
1943	0.39	1.52	0.01	1.90	1.40
1944	—0.70	1.68	0.06	0.92	1.40
1945	—0.05	1.71	0.01	1.65	1.40
Average	—$0.09	$1.72	$0.06	$1.57	$1.40

When this record is compared with at of Fidelity-Phenix, whose stock is up 72.5%, it is plain why there is such a difference in the relative market actions of the two stocks.

Year—	Net Und. Profits	Net Inv. Inc.	Fed. Taxes	Total Net Operating	Dividends
1942	$0.07	$2.62	$0.21	$2.48	$2.20
1943	2.14	2.63	1.04	3.77	2.20
1944	0.77	2.70	0.35	3.12	2.20
1945	0.94	2.74	0.53	3.15	2.20
Average	$0.98	$2.67	$0.51	$3.14	$2.20

It will be observed that Security has not only averaged a net underwriting loss for the four years, but also that net investment income has declined, and that the dividend, on average, has been earned only 1.12 times. Fidelity-Phenix, on the other hand, has shown an underwriting profit each year, an increase in net investment income, and an average dividend coverage ratio of 1.42.

The figures cited are on a parent company basis, and are not consolidated.

Another interesting comparison is that if Franklin Fire, which is only 4.5% above its 1942 low, with Insurance Company of North America, 63.9% above 1942.

It will be observed that Franklin's four-year average net operating profits were less than the average annual dividend rate, despite a dividend cut in 1944 and 1945, while Insurance of North America earned its dividends 1.65 times. In 1945, the latter company's earnings and dividends are on 1,494,000 shares vs. 1,200,000 in the three prior years.

"Let's look at the record," was the late Alfred E. Smith's aphorism, and it's good advice for investors.

The record of Franklin, which owns no subsidiaries and hence must be on a "parent" basis, is as follows:

Year—	Net Und. Profits	Net Inv. Inc.	Fed. Taxes	Total Net Operating	Dividends
1942	—$0.69	$1.58	$0.15	$0.74	$1.40
1943	0.13	1.33	0.38	1.08	1.40
1944	—0.54	1.35	0.20	0.61	1.00
1945	0.40	1.40	0.35	1.45	1.00
Average	—$0.18	$1.42	$0.27	$0.97	$1.20

The record of Insurance of North America, also on a parent, and not consolidated, basis is as follows:

Year—	Net Und. Profits	Net Inv. Inc.	Fed. Taxes	Total Net Operating	Dividends
1942	$0.05	$3.84	$0.23	$3.66	$3.00
1943	3.49	4.00	1.30	6.19	3.00
1944	2.06	4.22	1.00	5.38	3.00
1945	1.38	3.74	0.59	4.53	3.00
Average	$1.75	$3.96	$0.77	$4.94	$3.00

Profits—Spark Plug of Enterprise

(Continued from page 2339)

ized labor is taking the first steps toward a second round of demands for wage increases, to compensate for the rise in living costs since the first round of wage boosts last winter. From another side, profits are endangered by the reluctance of OPA and other Washington business regulators to remove remaining price controls as rapidly as they should be removed.

In this half-free and half-regulated economy price control has become profit control. The spark of profit will be knocked out of the engine of production for many types of goods and industrial materials if wages are permitted to spiral into the second round while OPA hems and haws on price control. The meat crisis made it plain for the whole country to see that OPA had become an outmoded and discredited agency.

The best thing that could happen now is to wash out price fixing except as to rent controls which present a very special situation, and let prices find their own level on the basis of a natural play of competition and supply and demand. The strategy of fighting a bitter-end rear-guard action to retain price controls, to keep a large segment of industrial prices under OPA ceilings after other segments of the price structure have been freed of government meddling, is futile.

It can only lead to more snarls in business, such as happened in the disastrous disruption of the packing industry under restored OPA ceilings.

The attempt to put a ceiling on industrial profits, while labor strikes out for another round of wage increases, can only bring more loss and disillusionment to the country, in terms of factory shutdowns and layoffs.

Nobody—certainly not the bureaucrats who couldn't make meat price control work—has discovered how to make the enterprise system function without the spark-plug of profit.

Snags Removed in Open Market

In a free economy, the snags in business will be removed by the adjustment of supply and demand in the open market. That is the quickest way to full production to a leveling off in prices and eventually lower costs and gain for everybody, including more real wages for labor.

This is no time to tamper with the engine. On the contrary, this is the time to take off the brakes for the engine is in danger of stalling. This is the time to end price controls quickly and to recognize frankly that the sooner the economy becomes wholly free, the sooner will stability be achieved.

If we are going to be the champions of free enterprise in the present half-free and half-totalitarian world, let's really have free enterprise ourselves. And that means freedom for business to earn a legitimate profit as well as for labor to bargain for higher wages.

Certainly the country cannot expect expanding production and continued high employment if profits are put through the wringer of rising wages and rigid price ceilings, plus the carryover of high tax rates. That is a sure road to business recession and depression.

Profits, the Spark-Plug

The economic pattern within which we live and thrive as individuals and as a nation has many names. It is called capitalism, the free enterprise system the competitive economy, the American way. And it is also known as the profit system.

That last name is a forthright and candid description of the functioning of business. It focuses attention at once, without apology or circumlocution, on the central element in the whole intricate economic process.

The interaction of myriad self-interests is, after all, what makes the wheels of human society go round. To shy away from that elementary truth is neither natural nor necessary.

Profit is the spark-plug of human society under any dispensation, but especially under capitalism. It is the driving force the dynamo, at the heart of free enterprise. It is inseparable from the American way of life—the way of individualism and personal freedom.

I am glad to defend the profit element against its detractors. But why does a fact so universal, so deep-rooted, so generally accepted require a defense? The answer of course is that the profit motive—and the economic society built around it—are every where under violent attack.

In some parts of the world where Communism is in the saddle, the striving for profit has been made a cardinal sin—in theory at least. But the irony of the situation is that in practice the Communist rulers have been obliged to return to the principle of reward in proportion to achievement.

Russia's Bonus System

In a desperate effort to speed up production and reawaken personal initiative, they have made piecework and pay differentials the rule for all Soviet workers They have developed an elaborate scheme of bonuses for industrial managers. What they call "socialist competition" is being artificially stimulated between factories and between departments in every factory. What is all this but an attempt to restore the motive power, the dynamic energy, of profit? The label has been changed; the goods under the label are remarkably familiar

In other parts of the world where Socialism is being applied in varying degrees, private profit is being outlawed in specific industries and fields of endeavor. And in the rest of the world, including our own country, the salesmen of collectivist Utopias are trying to convince our people that there is something inherently evil and disreputable in the concept of profit.

They call it "unearned increment" or the "proceeds of exploitation." They draw invidious distinctions between wages and salaries as a reward for human effort and the reward that takes the form of profit. There is an insulting inflection in their voices when they talk of the profit system.

Unfortunately, too many American businessmen have allowed themselves to be confused and disoriented by this type of propaganda. Logically, in terms of their own experience, they know it to be worthless. But psychologically they seem to cringe under the slander. The New Deal decade, with its blather about "economic royalists," has in many instances shaken their self-confidence. There was a moment, when the hail of insulting epithets was thickest, when businessmen seemed almost ashamed of their life's work.

The fact is that we have lived through a long war of nerves directed against business, against the profit idea, against free economy as such. That war is over, but even in the hour of victory too many of us remain jittery and uncertain. We haven't quite recovered from the strain.

I submit that there is need for a rebirth of pride in the achievements of American business and faith in its great potentials for the future. The doubts sown by homegrown skeptics and foreign agents alike must be weeded out. There must be an end to apologetics and an upsurge of old-fashioned confidence. That is why a defense of the profit motive seems to me altogether timely.

The justification of profit is everywhere around us in a civilization richer, more democratic, more potent than any in the past. Contrast American life today, as it affects the living standards and comforts and cultural opportunities of the average family, with conditions in the past. Contrast it with life in backward areas of the world where capitalism has not yet penetrated. Contrast it with life in Russia, where free enterprise has been displaced by state enterprise.

In every instance the superiority of our system is self-evident. Through the centuries, poets and dreamers have painted their visions of a better world to come. The most famous of these is the Utopia described by Sir Thomas More in 1516. An American variation of this theme was provided more recently by Bellamy in his book, "Looking Backward." The extraordinary fact is that so far as the condition of ordinary people is concerned, these Utopias fall short of the actuality today. Even the vision of a dreamer could not quite compass the abundance and the leisure that are the heritage of the common man in our American society rooted in the profit instinct!

Surely as we survey the landscape of history during the last hundred years or so, we have ample reason for self-assurance and pride. More progress has been packed into that century than into the thousand years that went before.

In our country today simple

workers and farmers enjoy comforts and cultural possibilities reserved in the past for a handful of princes and feudal barons. The luxuries of those days have been transformed into the necessities of our day. Science, exploration, enterprise, human ingenuity have flowered beyond anything dreamed of in earlier ages. They have deepened and enriched existence for the great mass of mankind. They have provided a chance for abundance for all mankind, if only we have the intelligence to use it.

All this is common knowledge. But there is not enough recognition of the fact that this incalculable progress has coincided with the dominance of the free enterprise system. The almost miraculous accomplishments of the modern period must be credited to the continuous and relentless prod of the profit instinct.

More than that. The world's advance in physical standards, popular hygiene, educational opportunities, leisure and political freedoms has been greatest precisely where the profit motive has been least fettered and most respected. Our America, above all other nations, is the product of a free economy—of the profit drive — and as an advertisement for those things it certainly cannot be surpassed.

American Capitalism

American capitalism flourished in a new atmosphere, unhampered by the leftovers of feudalism. It did not have to contend with inherited privileges and class prejudices of the kind that impeded the unfoldment of the new economic system in the Old World. The profit impetus therefore had the most favorable chance of demonstrating its efficacy. And it did, creating a civilization of abundance without precedent in all the millenia of man's life on this planet.

The common man a century ago had to work twice as long and ten times as hard to keep alive as his descendant today. And "keeping alive" was then on a plane so primitive that the humblest citizen of our epoch would reject it as unbearable.

We must not lose sight of the fact that the stimulus of profit is at the heart of competition. To approve competition as a motive in social conduct while sneering at profit is therefore nonsensical.

I need not tell an audience such as yours what competition implies. New products are continually elbowing old ones out of their way. There is an endless contest in methods of production, aiming to lower costs and improve quality. Inventions, improvements, developments of new materials, exploitation of neglected resources, the launching of new businesses, the extension of old ones—all the manifold expressions of the competitive economy are based on the expectation of profit. Remove that expectation and the whole intricate economic machine is paralyzed.

The automobile is one of America's great gifts to mankind. Its universal adoption has revolutionized life in all modern countries. It has virtually changed the surface of our own continent. It has produced a network of highways that soon will extend from the Arctic to the Antarctic. Millions of people have found fruitful employment through the advent of the automobile. It has changed the quality and the tempo of existence for nearly every one.

But recall that the automobile is not the consequence of any plan, governmental or private. It is not even the product of popular pressure and demand. On the contrary, it came and ultimately it conquered despite the apathy and the skepticism and even the ridicule of the mass of Americans. The horseless carriage was greeted with laughter. Only a few mechanical fanatics thought it would ever catch on in a big way. A national magazine at the turn of the century was simply reflecting the prevailing mood when it wrote that the horseless carriage, though an interesting innovation, would never achieve the popularity of the bicycle.

These doubts were confounded, the automobile became an everyday necessity because a lot of talented and energetic men risked their time, their labor, their capital, their enthusiasm to make it possible. Without doubt, the creative urge played a part in the process. But the deeper, more effective urge was the hope of profit.

As long as the automobile was an expensive product, within the financial reach of the wealthy only, its profit potential was limited. A huge competition was therefore unfolded in reducing costs by making manufacture simpler and more efficient. The American miracle of mass production, of the assembly line, came into being. It was the hope of profit that sparked that process.

What is true of the automobile is true of every product and service you can name. When the profit potential dries up, production ceases. Capital and labor and energy then seek new, more profitable outlets. But whatever direction they move, there is no guarantee that they will in fact find a profit when they get there. Always there is the chance of failure and loss. Competition implies losers as well as winners. Every venture is an adventure.

Profits Are Uncertain

That circumstance is significant in the defense of the profit motive. What is the essential difference in the nature of wages on the one hand, profits on the other? The difference is that wages are more or less fixed quantities, whereas profit is a shifting and uncertain thing. Those who argue that the profit rewards are out of proportion should be made to admit that the penalties, too, are out of proportion.

Businessmen with new ideas, processes and methods of marketing are constantly starting new enterprises or expanding old ones. They anticipate changes in popular taste, or they seek to create new appetites on the part of the public. They bring together the ingredients of enterprise—land, labor, capital, machinery, know-how—in some new combination. This is their special function, and it is essentially a pioneering function.

But as often as not, they discover that their initiative has misfired; that the public does not want their goods; or that the cost of production rules out general acceptance. Even if they do succeed, they may find that competitors flock to the field they have opened up and drive the pioneer from his own ground.

Statisticians tell us that several hundred thousand business undertakings fail every normal year in our country. The over-all mortality of business has been estimated at 20%. Even that doesn't tell the whole story, since many of those who survive accept a loss year after year in the hope of redeeming profit in the future.

In choosing the life of risk symbolized by profit, the business man in effect chooses the harder, the more demanding road. He chooses to fight his way through life, to engage in an obstacle race. When you and I, as typical American businessmen, talk of profit we refer to the reward for that more arduous, more adventure-some struggle.

Profit in this day and age is a long way removed from the rewards exacted by the private or state monopoly of an earlier epoch. The joint stock companies of England, for instance, such as the East Indies Company or the Hudson Bay Company, fixed their profits almost in the way that a government fixes its taxes. They exploited monopoly rights and brooked no competition.

Payments for Risk-taking

The kind of profits we are defending today are, by contrast, the payments for risk-taking. Their pursuit calls for vision, for courage, for ability of a high order.

Profits are the life's-blood of a healthy economy in the sense that they are continually circulated through the veins and arteries of the economic body. They are not withdrawn from usefulness and congealed as stagnant wealth. Through the mechanism of saving and investment they are constantly pumped back into new and old ventures. Indeed, when they cease to flow, the system may be said to have hardening of its financial arteries; such was the case in the depression years of the thirties. When they are artificially prevented from flowing, but unwise tax-provisions and other external interference, the health of the whole economic body is threatened.

Or we may justly think of profits as the fruit of enterprise. In Nature, every fruit contains the seed of its own reproduction and renewal. Even thus profits contain the seed for the renewal of business in the form of newly created capital. This fructifying process cannot be interrupted for long without producing social sterility, poverty and economic decay.

Economic Democracy

Personally I like to think of our profit system as a vast economic democracy, in which the consumer has the decisive vote. He votes for your profit or against it when he buys or declines to buy a particular product or service; when he chooses to ride on your railroad as against my air-plane line; when he pays his 35 cents for one movie as against another. No politician courts the favor of the political voter as ardently as the profit-seeker courts the favor of the ultimate consumer. The democracy of mass production for mass consumption is bound up at every stage with the profit urge.

From time to time we hear fuzzy-minded partisans of Communism refer to the system in Soviet Russia as "economic democracy." Nothing could be more grotesquely false as a description. The truth is that in a collectivist setup such as Russia's the individual loses not only his political franchise but his economic franchise. As a consumer he can no longer vote for or against a product or a price. An omnipotent state makes those decisions as arbitrarily as it makes the laws and appoints officials.

Of course, the profit motive, like everything human, can be misused. It has often been misdirected. Society through law and business, through self-regulation, has rightly sought to set limitations on some types of profit and to raise barriers against excesses. Self-interest sometimes may run riot as greed or even as crime. But the abuse of a social instrumentality is no more a valid argument for its destruction than a hammer murder justifies the outlawing of all hammers.

Excessive Profits Self-defeating

Excessive profits are, in the final reckoning, self-defeating. The business that attempts to take "all the traffic will bear" must in the long run alienate the consumer, without whose good-will it cannot long endure. Dr. Edwin G. Nourse of The Brookings Institution summed up a basic truth when he wrote, in his book, "Price Making in a Democracy," that—

"In order that the stream of profit-taking may be maintained at full tide, it is necessary that the specific profits that emerge from each successive step in technological progress shall be passed on democratically to the body of society—that is, the mass of consumers—rather than being monopolized by a particular group."

This is a sane democratic precept. The economic system of a nation is an organic whole. If any part of it prospers by sapping the vitality of the rest, it becomes a parasitic growth. Only when the prosperity of every part promotes the prosperity of the whole is the economic system in healthy balance. It is for that reason that we have anti-trust laws, patent laws, certain tax pressures. Their job is to safeguard society against predatory profit-takers.

But the need for protective provisions, for rules of the game, does not reflect on the validity of the profit system as such. That system has brought our country, and other countries which have given it sufficient play, physical rewards and spiritual opportunities without measure. It opens up alluring vistas of new achievement in every direction. Those who would scrap it for some untried and beguiling theory of perfection may mean well, but we would be fools, unworthy of our good fortune, if we followed their lead.

What is the alternative to the profit system? The only alternative yet attempted or even suggested is a system of coercion from above. That America rejects in principle. In our economy, as in our political life, we make freedom the indispensable condition. Economic dictatorship, with all its virtues, is still a prison-house. Economic democracy, with all its faults, is still the climate of freedom.

Canadian Securities

By WILLIAM McKAY

It is likely to be demonstrated that the Canadian Administration places economic and political realism above national pride and prestige. The recent abrupt action that restored the Canadian dollar to its old parity with the U. S. dollar has proved to be both hasty and ill-conceived. The step was taken principally on fearful anticipation of overwhelming price rises in this country following the removal of price controls. Almost immediately it has become evident that instead of inflationary pressure being exerted on the Canadian price structure the influence south of the border is likely to become deflationary. As an exporting nation, Canada in the event of eventual price recessions in this country will find that marketing abroad will become increasingly competitive.

The so-called embarrassing balance of U. S. dollars built up under artificial war-time conditions and the attraction of a 10% discount on the Canadian dollar can rapidly melt away when the Canadian export trade faces normal competition. The situation will be further aggravated by the fact that instead of the previous undervaluation of the Canadian dollar at 10% discount there is now the question that at parity with the U. S. dollar it is debatable whether or not the Dominion currency is over-valued. Current evidence certainly indicates overvaluation as the market for free funds, even without rumors of a 5% dollar, never approached the par level and expectations of a premium over the U. S. dollar have been rudely shattered. Moreover it had likewise been anticipated that the embarrassing volume of "hot money" built up by speculative purchases of Canadian internals would have been at least partially liquidated. On the contrary with the attraction of a wide discount under Canadian prices and an income return of 100 cents on the dollar instead of 90 cents, Dominion internal bonds have continued in strong demand.

Apart from the immediate economic considerations, the results of the recent bye-elections can be read as a political condemnation of the parity policy. There is hardly a Canadian in any walk of life whose interests are not directly or indirectly tied up with the state of the Dominion's export trade. An immediate consequence of the removal of Canada's 10% export advantage was a collapse of the gold share market and the placing of the marginal mines on an uneconomic basis. Paper stocks in the face of the boost in the price of newsprint reacted disappointedly. The Dominion Stock markets as a whole languished despite the strong rally in New York.

The present Canadian Government has never lacked realism in facing the economic facts of life and where the long range interests of the country are at stake, action is likely to be taken even if it represents a reversal of a step already taken. Furthermore in these enlightened times it is realized that there is little merit either in making the national economy a slave of the currency parity or in perpetuating an initial error. On the contrary with all due respect to Bretton Woods the fixing and maintenance of the value of any currency should be based on strictly economic considerations.

During the past week the rumors of an impending change in the official rate of exchange to 5% discount dominated the security markets. Internal bonds weakened and activity in the external section was at a minimum. The Canadian stock markets remained dull and did not reflect as usual the rallying movement in New York. Free funds weakened sharply to 5% after an earlier display of strength following an important purchase of Dominion internals.

Although at the moment an imminent further change in the value of the Canadian dollar is only in the rumor stage nevertheless an analysis of the facts leads to the conclusion that such an eventuality can not be disregarded.

Col. Gillespie Awarded Legion of Merit

Col. Eugene Faber Gillespie, of the St. Regis Hotel, N. Y., former commanding officer of the Air Transport Command forces at La-Guardia Field and Fort Totten, N. Y., has been awarded the Legion of Merit. Lt. Gen. Harold L. George, wartime A.T.C. commander and presently air adviser for the United States to the United Nations General Assembly, presented the award in the offices of Maj. Gen. William H. Tunner at Fort Totten, N. Y.

Col. Gillespie received the award for his services while Commanding Officer of the 1386th A.A.F. Base Unit in Iceland. He was recently released from the Army and has resumed his position as President of the investment banking firm of E. F. Gillespie & Co., Inc.

Bank Credit Associates To Hold Dinner Meeting

The Bank Credit Associates of New York will hold a dinner meeting on Tuesday, Nov. 12, at Fraunces Tavern, Broad and Pearl Streets, New York City. Reception will be at 6:00 p.m. with dinner at 6:30.

Speaker of the evening will be Elliot I. Petersen, Vice-President of the Bigelow-Sanford Carpet Company, who will address the gathering on "Production Factors."

Reservations should be made on or before Friday, Nov. 8 with John E. Morrison, Jr., Bank of New York, 48 Wall Street, New York, through the accredited representative of the banks of those desiring to attend. Cost is $3.00 per person.

Brooke, Stokes & Co. Admits Two Partners

PHILADELPHIA, PA.—Brooke, Stokes & Co., 15th and Locust Streets, announce that John K. Acuff and Francis M. Brooke, Jr., have been admitted to the firm as general partners.

A Tax Program for Prosperty

(Continued from page 2342)

accurate industrial sentiment. Consequently, when NAM committee members or their spokesmen appear before Congressional committees on subjects of government spending, taxation and tax administration, they will speak with authority for the managers of industry.

Obviously, this is the place to exchange views. This is but one part of the job, but it is an important one. In our task we are helped greatly by cooperation with members and with friendly business and taxpayer organizations.

Plans and Practicalities

First, I should like to talk to you about an inflationary fiscal policy based on the biggest debt in history, on an unbalanced budget, and, finally, on heavy taxation. National expenses have exceeded income for more than a decade and a half while debt has piled up. Few citizens now under 30 or 35 years of age were taking any interest in the subject when the Federal budget was last balanced. Taxes, in only a few cases, have receded from their wartime level.

We must plan now to bring down the level of spending and to balance the budget. We must plan and work now for a better tax program. If we show the people how bad taxes interfere with our progress, they will recognize the need for correcting them.

If the planners have their way, crippling tax burdens would be kept on industry and enterprise at a time when expansion ought to be in full swing. Lightening the tax load would encourage putting idle money to work, making jobs and more goods.

Free, Indivisible Economy

The people of this section thoroughly understand the elements of our economy. Jobs come from earnings. Savings come from postponing the enjoyment of earnings. The assurance of profits alone justifies the creation of jobs. High employment at high wages goes hand in hand with profits to the investors.

The American economy is indivisible. All of us pay the bills. All of us must get its benefits. All of us are confident of the nation's final future. We do not speak as partisans, any more than Hatton W. Sumners, lifelong Texan, who on his retirement from office stated for all of us the case against concessions to a particular group:

> "By concentration of governmental power and drafts upon the Federal Treasury, we have now a financially 'busted,' great piled-up mass of governmental confusion beyond human comprehension, impossible of democratic control, extravagant, wasteful, inefficient, and by its nature the instrumentality of favoritism, tyranny, oppression and corruption, and destroyer of self-reliance and self-respect and governmental capacity of the people, qualities without which no people can remain free."

The nation's financial problems are neither the exclusive concern of government nor of industry and business. They belong to all the people. They concern their future, their families and their homes. The government is you. Government employees are your servants to carry out your wishes.

Bookkeeping or Balancing?

President Truman promised recently he would do all in his power to balance the budget this year. This would be accomplished—not by sharply reducing swollen wartime expenditures, or through special consideration of the taxpayers—but simply because Federal revenues would be greater than had been anticipated. The Chief Executive's intentions for balancing the budget are in sharp contrast with the aimless drift of the Administration's spending policies.

Mr. Truman's hopeful outlook is not shared, however, by all of his colleagues. Secretary of the Treasury Snyder said only a few days ago he believes we're still headed for the nearly 2-billion-dollar deficit predicted by the President last August. We have been told that at least some of the reductions in expenditures contemplated by the President in his revised budget estimate will not be realized. Mr. Snyder, in fact, cannot see any possibility of any general tax reduction in the near future.

We don't agree with Mr. Snyder's statement that "it is pure fantasy if not plain demagogy to talk of tax reduction and debt reduction in the same breath." To the contrary, we believe the nation can have drastic reduction of government expenditures, a balanced budget, a substantial beginning on debt retirement and tax reduction, all at the same time. And the sooner the Administration in Washington recognizes this, the sooner the nation will get back to a sound financial footing.

Forced Economy Through Lower Taxes

From Budget Director Webb there recently came the admission that it was not possible to carry out the public works cutback asked by the President. Its significance is magnified by the fact that the $1,900,000,000 deficit predicted for 1947 was based in part on the President's declaration that public works spending would be cut by $700 million.

Here is our strategical answer to high-sounding promises about rigid economies and the necessity for balancing the budget:

Choke off the source of much of the government's income by reducing taxes and force the government to cut costs, live within its income, and at the same time start paying off the debt. The pressure for lower taxes will automatically cause a tightening of the purse strings.

Whether or not the economy is kept in balance at this stage depends on the government. Inflation would have serious consequences and can and must be avoided. The President and Congress must take the initiative in reducing government expenditures, debt and taxes — and take that initiative now.

The Changing Tax Picture

During the war, industry supported the imposition of hitherto unknown tax burdens. After the Jap surrender, the NAM urged Congress to repeal the excess profits tax as of Dec. 31, 1945; to reduce all individual income taxes by 20%; to repeal the capital stock tax; to repeal the declared value excess profits tax; to reduce the combined normal and surtax on corporations to 32%; and to hold the Social Security levies to the existing 1%.

Congress did repeal the excess profits tax as of Dec. 31, 1945; reduced individual income taxes by 5 to 8% in the upper brackets, 10 to 15% in the middle brackets, more in the lower brackets; did repeal the capital stock tax and the declared value excess profits tax; reduced the combined normal and surtax on corporations to 38% with lesser rates for corporate incomes under $50,000; and froze the Social Security levies at the existing 1%.

Congress made these adjustments in the wartime burden but, admittedly, the relief granted was limited. Industry was hopeful early this year that Congress would get to work on a new tax bill, building the framework for

a permanent peacetime tax structure. But strikes, shortages and crippling government controls overshadowed any consideration of tax revision.

In the spring of this year the NAM Tax Council, of which I am privileged to be chairman, pledged its whole-hearted support of the Association's transition tax program. At that time little hope was held for enactment of tax legislation this year. The Council was given a mandate to press for portions of last year's program which were not enacted in the Revenue Act of 1945.

NAM Transition Tax Program

Just as industry supported a heavy tax burden to meet the problems of war, we now support a tax program that will pay the costs of war, balance the budget, and help create an economy that will provide full employment and even higher standards of living.

That part of last year's tax program which was not enacted in the Revenue Act of 1945, and for which we are currently pressing, is as follows:

1. Reduce individual income taxes by 15% at all levels, effective Jan. 1, 1947, and provide an overall limitation of 50%.

A flat percentage cut of 15% would do much to energize the flow of capital into production ventures and afford needed relief for all taxpayers. According to a public opinion poll, many people feel they could properly pay less taxes. In 1945, 85% of taxpayers with opinions on the subject felt that the taxes they paid were fair. This year the percentage is down to 62%.

Placing the overall limitation at 50% would serve to restore those incentives which stimulate and release the creative energies of men. Taxpayers in the higher brackets complain that personal initiative is being penalized too severely.

Here is what is happening under the present system. In the pre-war period, 1936-1939, a married man paid the Federal Government 6% of a $15,000 income. During the war he paid 31%. Under 1946 rates he would still pay out 27%—or four and one-half times the pre-war amount. Taxes should not take more than 50% of *any* individual's income. Now it can take 85½%.

2. Reduce the combined normal and surtax on corporations by six percentage points, or to a level of 32% on income in excess of $50,000, effective Jan. 1, 1947. Provide proportionate rate reductions for corporations with smaller net incomes.

A great number of small companies would be encouraged by these reductions. We feel that such an adjustment would, in the long run, produce enough additional revenue to offset any temporary loss to the Treasury.

Keep in mind that 200,000 corporations did not have so-called excess profits and therefore did not benefit from repeal of this wartime tax. These companies must be encouraged to achieve their full productive and employment capacity.

Business was aided greatly by tax reduction after the close of World War I. Corporate tax rates were revised downward, industry expanded, the budget balanced, and a surplus was accumulated and used to pay off a substantial portion of the debt.

3. Eliminate double taxation of dividends. The effect of the double tax is almost confiscatory; even under the reduced 1946 rates it can take as much as 91% of the earnings of a corporation as it flows to the stockholder. There are a number of ways of relieving this situation. Perhaps the best method is to have the corporation pay a tax on its net income as at present, but allow the individual an appropriate reduction by exempting dividend income from the combined normal and surtax in the first bracket.

4. Exclude 100%, instead of only 85% of dividends received by one corporation from another corporation.

There appears to be no valid justification for this double form of taxation.

5. Allow consolidated returns without any penalty tax. The subsidiaries and parent should be permitted to file one consolidated return and pay tax at regular rates.

6. Convert the two-year carry-back and carry-forward of net losses to a six-year carry forward by means of gradual steps.

This would remove a number of the difficulties arising from errors in the allocation of income and deductions to a specific year. It would also play a useful part in equalizing the tax burdens on fluctuating incomes of the same average or aggregate size.

In brief, all of these recommendations were supported by the Tax Council and approved by the NAM Board of Directors. The program would reduce revenues by $3¼ to $4¼ billions in a full calendar year (at a national income level of $150 billions) but if made effective next Jan. 1, as proposed, Treasury receipts for fiscal year 1947 would be reduced by less than $1½ billions due to the lag in collections. Most corporations are on a calendar year basis and pay taxes the year following that to which the taxes apply, while the government is on a fiscal year ending June 30.

Tax Equality for Cooperatives

I think all of you will agree that, as a general principle, taxation should apply to all forms of competitive enterprise. In consequence, tax exemption should not be granted to income derived from the actual operation or management of business enterprise, regardless of its nature.

There is no defense, of course, for policies or practices which place the competitors of cooperative associations in an inferior position before the law or force them to bear an unfair share of the costs of government.

However, the NAM believes that there is no justification for taxing at the source patronage refunds paid to customers of cooperatives, but that amounts available for, but not distributed to, patrons as patronage dividends should be taxed as earnings.

It maintains that double taxation as applied to dividends to stockholders of all types of corporations, including cooperatives, should be eliminated, and that manufacturing and agricultural interests should join in a vigorous effort to bring this about.

NAM Position Upheld

Earlier, I referred to the overwhelming support given our present tax program by members of the Tax Council. I would like to emphasize that other national organizations, including the United States Chamber of Commerce, are in agreement with us as to the goal to be sought during the next session of Congress. They, too, are seeking immediate tax reductions while simultaneously recommending lower government expenditures, budget balance, and retirement of debt.

A Continuing Tax Study

Members of the Tax Council and of the NAM Government Finance Department staff promote a continuing study of proposed tax legislation and fundamental long-range tax policy. For example, recently we queried Tax Council members about the earned income credit for individuals. Some stated flatly they do not believe in the credit, while others recommended that we try to simplify the income tax form and to correct the inequity in some other way.

As for excise taxes, there is one group which would eliminate only such excise taxes as produce little or no revenue in excess of the cost of collection. Another favors substantial taxes on most luxury items. If certain other members had their way, the use of excise taxes would be extended instead of limited. NAM at this time takes the position that such taxes are more directly the concern of the individual manufacturers and of the manufacturing trade associations.

Tax Pattern for Prosperity

We believe that all business should be encouraged to go forward, that individuals should be encouraged to go ahead and invest in new businesses and expand old businesses—if we are to have the jobs we will need to support the high economy we all desire in the years ahead. The tax structure, therefore, must quit suppressing enterprise and individuals.

Our domestic policy should serve with equal justice labor, industry, agriculture, distribution, the white-collar army, and millions of people outside the labor force dependent upon income from pensions, investments and other sources. Prosperity can be achieved only when there is a properly balanced relationship between all divisions, in a free private economy. Only then can they produce at high levels.

Two things are recommended here. A fiscal policy that stops inflation and, second, a tax structure more favorable to venture capital. These are not in the interests of manufacturers alone. They are in the interests of everyone. Manufacturers exist only through the consumers they serve, and the distributors who sell their goods. The manufacturers' interest is indivisible from that of all the people.

Against Planned Economy

We stand at one of those decisive crossroads where a left turn or a right turn will influence national fiscal policy for generations to come. Those who would continue to experiment with our tax money are numerous and persuasive.

We must make our stand on practical common sense—on protecting the seed corn from this year's crop so that next year we may expect still another harvest. We must correct obvious injustices that afflict taxpayers and businesses. We must obtain assurance that our money will not be squandered.

Common sense policies of taxation are needed to help the millions of small businesses in this country operated in individual form. The grocer, the farmer, the druggist, the shopkeeper must be encouraged to improve and expand. Thousands of veterans who want to go into business for themselves need the incentive of lower taxes.

Under a planned economy, the incentive is lost. The loss of incentive reduces production. Without hope, the farmer tills less diligently; the worker works less; the enterpriser banks the fires of ambition, and the investor withholds his funds, thus preventing jobs. Less is ventured, less is produced, and there is less to divide.

The planners will never understand that in the American economy, profits supply incentives to create services and produce goods, to manufacture at low cost, to live within earned income, to contribute a net profit to the whole economy. The businessman will prosper only as he furnishes goods and services of a quality and at a price which the public wants and is willing to buy. And as he prospers, he makes jobs.

The Challenge

Every man here is aware of the cleavage that divides the nation—between those who would advance cautiously and those who would embark upon untried economic experiments. Work, thrift, the willingness to take risks—which built America to greatness — are now in danger of discard.

It is imperative that Congress restore the financial integrity of our economy. The fight to regain this asset is worth everything we have and everything we owe our children. In this fight, each and every one of us must help.

Hourly Steel Wages All-Time High in Sept.

The average hourly wages of hourly, piecework or tonnage workers in the steel industry reached an all-time high during September, the American Iron and Steel Institute announced on Nov. 1. The average hourly wage rate for September amounted to 136.2 cents, compared with 134.6 cents per hour in August and 123.4 cents in the same month of 1945. The Institute's statement further added:

Average number of employees rose during September to the new high of 595,700, from August's 595,600.

The industry's wage earners worked an average of 37.5 hours per week during September, as compared with 38.5 for the preceding month.

The total payroll for September at $139,625,000 was slightly below the August peak of $145,226,300. The steel industry through the first nine months of 1946 had paid its workers over a billion dollars in wages.

U. S. Recognition Given Austria

The State Department at Washington made a formal declaration on Oct. 28 of this government's policy toward Austria. Stating the belief that there were "adequate reasons" for all members of the United Nations to regard Austria as a "liberated" country "rather than a former foe," the declaration went on to say, according to Washington advices from the Associated Press, that the United States now "recognizes Austria for all purposes, including legal and administrative, as a liberated country comparable in status to other liberated areas and entitled to the same treatment." Simultaneously with this statement, the Austrian Foreign Minister, Karl Gruber, on a visit to the White House received the assurances of President Truman that this country would help Austria resume its place in the family of nations. It is assumed that Austria will make application for membership in the United Nations, and that America's attitude will pave the way for her acceptance.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The need for income to offset rising costs, as well as the realization that short-term holdings or idle funds are not the most suitable form of investment for institutions that should be holders of longer-term high coupon obligations, is having a beneficial effect on the government bond market. . . . The demand seems to be broadening as a result of Federal Reserve Board Chairman Eccles' recent remarks and this has carried prices of most issues above recent trading limits. . . . The ineligible bonds have been moving ahead in an orderly way with daily price improvement of a few thirty-seconds, which is generally indicative of investment buying. . . . There has been a steady acquisition of these issues and with the improved technical position of the market it is believed that there will be a tendency to seek somewhat higher levels. . . .

This does not indicate any sensational moves such as were witnessed the early part of the year, because the buying now is for income and investment purposes with more permanent holding as contrasted to the sharp swings, rapid turnover and quick appreciation psychology in the market when it was under the influence of speculative purchases. . . .

The absence of speculative holders from the government bond market is one of the reasons why there has been little similarity recently between price movements in this market and the equity market. . . .

INSURANCE BUYING NEGLIGIBLE

Non-bank investors have been taking on all maturities of the ineligible bonds, with the issues purchased largely a matter of preference, on the part of the acquiring institution for a particular maturity. . . . As yet there are no reports of important purchases by the big insurance companies, but it is believed that there will be a change in this situation in the not distant future. . . . It is quite evident from the remarks of the monetary authorities that they are not much concerned about the reports that large institutional investors are having difficulties in obtaining suitable long-term investments on a favorable yield basis. . . . It seems as though there was a similar situation not so long ago, when yields on long-term obligations were much lower than they are today. . . . When yields on long-term bonds went up because the money managers were in favor of such a change, there was no rush on the part of the institutions to acquire these securities at returns that they had previously indicated would be very satisfactory to them. . . . They were waiting for still higher yields. . . .

Now that yields have again declined somewhat, and some of the institutions have probably missed a buying opportunity, the same old cry is being heard, not enough investments for the institutions at a satisfactory yield basis. . . .

INTEREST RATES AND THE FRB

Federal Reserve Board Chairman Eccles, in a recent speech in Boston, quite clearly stated that the action and level of prices of the government securities markets is the concern of Federal, since the public interest requires a stable market for government obligations. . . . With the public debt as large as it is today, twice the entire private debt of the country, a free market is out of the question if that is taken to mean an unmanaged, unsupported market. . . . These statements seem to indicate that debt management will be a most important concern of the monetary authorities for a long time to come . . . The level of interest rates will depend on the trend of commodity prices and business. . . . If there should be a boom, then the powers that be will interfere very assuredly to stop the upward spiral and this would no doubt mean higher money rates and lower bond prices until the inflation is over. . . . Then lower interest rates and higher bond prices. . . .

On the other hand with a recession of not long duration, as is looked for by many money market authorities, there would probably be very little done by the authorities to interfere with the money markets. . . . There would probably be a tendency for money rates to ease slightly. . . .

Irrespective of what takes place the monetary powers are going to be watching government security prices as well as commodity prices and business trends, and they will act to keep the market for government issues stable so that there will be no unfavorable effects on the banking and financial structure of the nation. . . .

Therefore it seems as though the safest place for funds of institutions is still in government securities since there are no other securities that have the sponsorship and protection that is available to government obligations. . . .

BANK BUYING

Bank eligible bonds have improved with the rest of the market, as some shifting of holdings and new money commitments have moved up the prices of these issues. . . . The need for income to offset increasing costs is resulting in purchases of longer-term higher income obligations and the rearranging of maturities. . . .

Although the larger city institutions have been buyers of the longer taxable issues, they have been more active in the partially exempt bonds. . . . Some of the shorter taxable bonds have been bought from the smaller banks, which have been putting the proceeds into the longer-term taxable obligations.

While the partially-exempt bonds still have attraction the tax-free yield differential between them and the taxable obligations is narrowing. . . . This may result in some slowing down in buying of the partially exempt, unless there is a further spurt in the taxable issues. . . .

OFFICIALS SCAN TRADES

It is indicated that the regulatory authorities, particularly the national bank examiners, are looking askance at the trading operations of the member banks, especially the smaller institutions. . . . It is reported that the examiners do not see eye to eye with the banks, over the treatment of profits derived from bond trading. . . .

It is indicated that the authorities believe that the banks should segregate these profits and set them up in an account, such as "reserve for bond account and unallocated premiums," instead of taking them into undivided profits. . . .

This would have an effect on earnings of the banks, and it is indicated that there will be considerable discussion before this matter is settled. . . . Whether this will curtail trading by the banks is open to question, since it is still the intention of many of these institutions, to continue to take advantage of price movements. . . .

INVENTORY BUILDING

It is indicated that there is some building up of position by dealers who believe that prices will continue to show a rising trend. . . . Also it is expected that the investment demand at the turn of the year will be good and this should give them an opportunity to dispose of inventories at a profit. . . .

The demand for partially exempts from the banks has been beneficial to dealers, since many of them had anticipated this move and were in a position to supply the market with some of these obligations.

Government Bonds And "Easy Money"

(Continued from page 2338)

That being the case, my discussion may be limited to those factors which may affect the price level of governments. Primarily, these are supply and interest rates.

Supply and Interest Rates

Supply is decreasing as the Treasury continues to pay off partial maturities of certificates and prospects of a balanced budget appear more hopeful. I anticipate no new long-term financing, such as additional 2½s, before next June. (A rapid advance in long-term governments would reverse this prediction.)

Interest rates usually are related by most "experts" to the volume of deposits and so many other elements that the average banker becomes lost in a maze of statistics. In an attempt to simplify the picture, I suggest that you keep your sights on only one factor: the supply of lendable funds.

This rather naive statement has more to it than meets the eye. Perhaps I can clarify it by taking today's situation when banks with practically record deposits are finding themselves "tight" and forced to sell certificates or bills from day to day.

It is obvious that it is not the volume of deposits but the lack of surplus lendable funds which creates the "tightness."

Lendable funds are nothing more than excess reserves. Anything which tends to increase excess reserves means easier money rates and anything which tends to decrease them spells higher money rates.

Debt Retirement Program

The Treasury's debt retirement program has brought about a tightening in short-term rates which would have been more acute had not the Federal Reserve stepped into the breach and bought sufficient bills and certificates to maintain excess reserves at a modest level.

Had the Federal not taken this step, short-term rates would have risen sharply as war loan deposits were replaced with commercial accounts requiring reserves and the Federal's holdings of maturing certificates been paid out as a dead loss in reserves.

The first phase of the debt retirement program is drawing to a close. Two billion of the November certificate maturity will be paid off, and it is estimated that approximately $750,000,000 of the December issue will be met in cash. It also is believed that the entire issue of the December 1½s will be redeemed.

Allowing for the shift of funds, it looks as if excess reserves will have a tendency to be reduced by approximately $1,100,000,000 through these operations.

I believe the Federal will supply any necessary deficiency sufficient to keep excess reserves around the $800,000,000 level.

Loans

Another factor influencing excess reserves is commercial and agricultural loans made by the banks themselves. Loans generally are regarded as inflationary because they increase deposits. Sight must not be lost of the fact, however, that reserves must be carried against those deposits, so that, in reality, excess reserves are decreased and money becomes tighter.

The volume of loans is affected by two elements: the volume of business and commodity prices. This price-volume line must be considered together. The desire to borrow, to expand, also is pertinent.

Recent sharp declines in commodity prices and prospects of further drops are causing buyers to draw in their horns far more than generally is realized. In private conversations with big buyers of merchandise, I have been told that whereas formerly they ordered for delivery "when available," they now are insisting on definite and early delivery dates. Numerous cancellations are being reported.

I believe loans for inventory expansion are reaching their peak, and as these loans are retired excess reserves will be created.

Money in Circulation

Money in circulation has an immediate and direct effect on excess reserves. It raises or lowers them in the exact amount this item expands or contracts. Money in circulation totaled $28,597,000,000 a week ago, or about $22,000,000,000 in excess of what we used to regard as a normal figure.

I believe the virtual demise of OPA, as it relates to price control, will put an end to black markets and bring a great deal of this money back into the banks. This will increase excess reserves.

By coincidence, or otherwise, the amount of excess money in circulation is almost equal to the amount of government securities owned by the Federal Reserve System. This figure was $23,418,000,000 on Oct. 16.

It is my belief that should a strong flow of return currency develop, the Federal would take advantage of the development to put its own house in order by lightening its government holdings. This would neutralize the increase in excess reserves.

Interest Rates "Talked Up"

The real facts in the money supply situation, as I see it, are that certain banks have talked a lot stronger interest rate situation than actual conditions justify. I do not believe that some of the advances in rates made in recent months will hold up over the near term. In fact, few of the New York banks have followed in full the ½ of 1% rise in call money. Many of them continue to lend on high grade bonds at 1% and others have compromised at a 1¼% level.

The most sensitive index of lendable funds is the rate charged by New York banks for Federal funds to each other. As you know, most New York banks prefer to "buy or sell" Federal funds to each other rather than "go in to the Federal." A few weeks ago Federal funds reached the level of ⅞ bid—1% asked. For the past several days they have receded to ¼—⅜, the lowest in many months.

It is impossible, over the long run, to put up interest rates by the simple process of arbitrary advances. The competition of surplus lendable funds (excess reserves) will put them back down.

I have observed with interest that the bank which took the lead in advancing short-term rates has been the most vigorous bidder and buyer of large municipal issues in recent months. It hardly is possible that this well-managed institution does not let its right hand know what its left hand is doing!

Watch London Market

The volatile movements of governments since April are a sad commentary on our investment perspective and philosophy. For that reason it may be helpful to take a look at what is happening to British governmental issues. This does not mean that the British are any smarter than we; it simply recognizes that they are more mature in appraising economic changes.

Many times in the past the ac-

tion of British government bonds has given us a cue to our markets. Some times months elapsed before the change took place here, but the pattern has been almost uniform.

Hugh Dalton, Chancellor of the Exchequer, has been persistent in his "cheap money" policy, and the most recent successful conversion of a 3% loan into a long-term 2½% issue has carried British governments to a new all-time high.

Our Own Policy

Our own policy, worried about inflation, has recently been somewhat deflationary, but I predict that with deflation a real prospect, we shall, without fanfare, revert to an easy-money program.

It seems, therefore, that on one hand we have the following conditions working for easier money rates: gradual end of war loan calls, decreasing commercial and agricultural loans, return flow of currency, and reversal of mildly deflationary Federal Reserve policy. Against these we have the potential liquidation of Federal holdings of governments.

The conclusion is in favor of continued easy money with recent advances nullified.

Investment Policy

This brings us face to face with the main question: What should be my investment policy?

In this regard I am old-fashioned. I was reared with "Lombard Street" as my economic bible and came to regard the late George Roberts as one of the greatest practical economists of recent years. His "Panics, Crises and Depressions" was a constant companion on long train trips.

This naturally made me feel that commercial banking should be just that, and I am frank to say that 20-year term loans and such media of investment for commercial banks leave me just a little aghast.

Let us jog our memories a bit. A few years ago such books as J. Harvie Wilkinson's "Investment Policies for Commercial Banks" was a widely read volume. The then current bank language consisted of problems of primary and secondary reserves. How long has it been since you have heard any one mention primary and secondary reserves?

Spaced maturities and a carefully balanced investment program were the accepted order of the day. Now we hear such generalities as "Buy the very short and very long maturities and stop worrying." That neither is investing nor banking—it's gambling!

I believe that primary and secondary reserves, with a well-balanced scale of maturities is as essential today as ever and just as important in your government holdings as in any other medium for the employment of funds.

Quasi-Governments

Many bankers have not troubled to inform themselves of the greater yields which can be obtained in the quasi-governments, such as Federal Home Loan Banks, Federal Intermediate Credit Banks, and Federal Land Banks.

These securities usually do not enjoy quite as close a market as governments (the spread usually is 4/32nds against 2/32nds) but the extra yield usually compensates the buyer.

Many banks make a practice of investing in even amounts of FICs monthly and reinvesting their maturities. If, at any time you wish to build up your cash, you can do so by the simple expedient of letting your maturities run off.

The Partially Tax Exempts

When considering additions to the portfolio, the partially tax exempts should receive careful attention. It always has puzzled me why so many banks go ahead buying taxables blindly when their banks are in tax brackets as high as 53%.

It isn't the gross yield which counts—it's the net yield after taxes. Gross yields may impress your Board of Directors but they don't build up the profit account.

The partially tax exempts have been depressed by sales from various government funds and can be bought at considerable yield advantage when compared with taxables of the same maturities.

Incidentally, we believe that the bulk of this selling has been completed.

The New York Banks

Following in the footsteps of your New York or big-city correspondent is not always sound banking. The problems of these mighty institutions are different from those of the small bank and the latter must work out its own investment program and procedure.

This does not mean that it should not call upon these correspondents for assistance. They stand ready and willing to and their comments usually are decidedly helpful. Hanging on the coattails of a big New York bank, however, is no substitute for individual thinking and judgment.

It is interesting to note that whereas the New York banks have been trying to push up short-term rates since April, 1946, they have, at the same time, been consistent buyers of bonds rather than notes and certificates.

Lengthening maturities is not consistent with increasing money rates. You can draw your own conclusions on that one.

The Course of Prices

Any one who attempts to predict the course of government bond prices either is a fool or bold to the point of foolhardiness. "Experts" who give you one of those fence-straddling opinions, however, are of little use. Therefore I shall be bold and run the risk of having you apply the other term.

I believe excess reserves will tend to increase over the near term and government bond prices are in for a mild rise; especially the tax exempts.

Longer maturities are being sought as the reduction in earning assets forces banks to find greater yields.

Should the advance become too marked, the Treasury and the Federal Reserve will take steps to slow it down.

Dangerous Practices

The kind of statement I shall make now will not add to my popularity with certain bankers, but it needs to be said. I have regarded with amazement (I almost said "horror") the manner in which some banks have gambled in long-term governments. I have heard of case after case in which banks which should know better have loaned money to customers to buy huge amounts of new Treasury issues and then carried those loans at the coupon rate with no margin. The banks were getting 2½% on their war loan accounts and they thought it was wonderful.

Any bank which put its war loan funds (which they knew were "hot") in anything other than bills, certificates or maturing notes, was asking for trouble. Many of them have spent some anxious moments recently and "sweated" over every war loan call.

That, gentlemen, is not banking. This does not mean that it is not proper for you to analyze your savings accounts and make a fairly long-term investment for that portion which represents the lowest level reached in depression years. Some banks are doing this, and I believe it sound.

Any such investment, however, made on the premise that you can "get out" when you need the money is dangerous to the extreme.

Short and Medium Rates

When it was my privilege to address many of you at the Virginia Bankers' Conference, held at Natural Bridge, Va., on April 16, 1946, I told you, "I should say that money rates probably will go but little lower than they are today and a slight hardening of short-term rates is in prospect."

I now shall venture to predict a slight easing of short-term money rates and a fairly stable longer term rate.

The only protection against a change in the long-term rate is sound investment practice and a reserve of spaced maturities. With the latter, you can't go far wrong.

Summary

Reaching the end of my road, I shall summarize so that those of you who have been asleep may catch up.

Excess reserves (lendable funds) will increase due to early end of debt retirement program, decrease in commercial loans, and return flow of money in circulation (after Christmas holidays). Federal Reserve probably will sell enough of its holdings to offset latter.

Interest rates have been "talked up" and will settle back to former short-term levels.

Watch London market for key to ours four to six months hence.

Federal Reserve and Treasury will reverse recent mildly deflationary policies, due to prospects of recession in 1947.

Go back to "old-fashioned" banking, with portfolios based on spaced maturities and definite program. Refresh your mind on the staid subject of primary and secondary reserves.

Avoid such dangerous practices as gambling in long-term governments, expecting to "get out" if you need the money, and don't allow your customers to do the same thing just because you can pick up some easy profits.

Consider quasi-governments on a roll-over basis.

Buy the partially tax exempts when adding to your portfolio.

Consult your big city correspondents, but inform yourself sufficiently to make up your own mind and policy.

Government prices look mildly higher over near term, but any pronounced rise would be frowned upon by the powers that be.

Cheap Money in Britain

(Continued from page 2340)

that by temporarily reversing his cheap money drive he could inflict a sharp punishment on speculators. Few Socialists could resist the temptation of punishing speculators, and Mr. Dalton was certainly not one of them. Where he went wrong was in that he imagined that, having punished the speculators, he would be able to resume his cheap money drive in a week or a fortnight. In actual fact, it took him something like five months to restore confidence destroyed by his action in May. Meanwhile the outlook appeared to be very doubtful for the continuation of the cheap money policy.

The prolonged interruption of the cheap money drive caused disappointment among supporters of the government, and also within the Cabinet. Mr. Bevin is known to have observed that if he had been Chancellor of the Exchequer the interest rate would be down at 1⅝ by now. However, Mr. Dalton is now expected to take good care to make good the mistake of May. He realized that it is easier to stop the cheap money drive than to resume it; and that the much-abused speculators are, in this instance, fighting his battle. It is, after all, they who push up the price of government stocks, in accordance with the aims of the official policy. In such circumstances it was rather inopportune to punish them on this occasion. It is quite certain that Mr. Dalton will not do it again. Indeed, in connection with his new issue, he was actually encouraging the speculators, by forecasting the terms of the forthcoming issue, much against the practice of the Treasury whereby such terms must be kept a closely-guarded secret till the last moment. The result justified the Chancellor's new departure, as the rise that followed his statement created favorable conditions for his new issue.

Whether the cheap money drive can proceed much further depends, however, on conditions that are outside the government's control, such as the international political situation or the trend of trade in the United States. In so far as it does depend on the government it will be proceeded with unhesitatingly.

Katz & O'Brien Incorporates

CINCINNATI, OHIO—Katz & O'Brien, Carew Tower, is now doing business as a corporation. Officers are Arthur V. Katz, president and treasurer; Harr C. O'Brien, vice-president and secretary; and E. C. O'Brien and K. Katz, directors.

Kinsell-Regier Co. Opens

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, COLO. — The Kinsell-Regier Company is engaging in a securities business from offices at 6788 West Colfax Avenue. Partners are Leonard Kinsell and Emil W. Reiger.

Securities Salesman's Corner

By JOHN DUTTON

This week we are going to discuss something that is as basic as mankind itself. But the subject bears repeating—many times. There may be some who are confirmed synics and will say "that's all right for the fellow who writes this stuff week after week, but its like all those ideas, they look good on paper but they don't work in practice." Those who feel this way can not be convinced by anything they might read, or have others tell them. They have to learn this lesson the hard way. Either you know it—or you don't!

Here it is. Do you want more business? Do you want business to come to you EASILY, without breaking your back running around hustling it up? Do you want things TO COME TO YOU THAT ARE GOOD? **Then give out!** It is as old as the Sermon on the Mount—it is the thing that the world needs more than anything else today. It is trying your best to help others UNSELFISHLY. It is doing the things that let other people know you like them. It is really feeling in your own mind, and with strong convictions, that other people are important to you—that their welfare is something that you wish to place foremost in your social and BUSINESS relationships. It is liking others, because YOU UNDERSTAND that they have problems and feelings JUST THE SAME AS YOU DO. It is being a WARM HUMAN BEING. It is calling on a friend when he is ill. It is writing a card on a birthday. It is telephoning when another has a joy or a sorrow and letting them know you care. It is thinking of yourself LAST.

It is not that you should look upon life with emotion—but understanding. No man who has learned that we all come into this world not knowing why, and we leave it not knowing where, can be anything else but himself. That is the answer to every problem that must be faced by every human being—wisdom comes to us from without. We are all humble, and all are the same WHEN WE MUST FACE THE REALITIES OF EXISTENCE. Did you ever think that you were a pretty smart fellow? Forget it—you are just like all the rest of us who have a sojurn on this planet that is short indeed. If we have wisdom—we know our kinship to our fellow men.

The men who go to the top in the business world, in politics, in the professions, in every job whether it be in the factory or the shop, what do they have that puts them there? Some say it is brains, others call it pull, another may attribute success to personality, but sum it all up and you will find that the men who have done something worthwhile with their lives have first of all been **human beings.** They have suffered defeats, they have made mistakes, they have tried and failed; they have had their successes and moments of joyful pride in their work. Those who really count have character—the others don't last. No man can "four-flush" **himself.**

If you are a cynic you are going to lay this down and say, "Dutton must have been high when he wrote this corn." But there is one thing we will bet anyone who doubts it, and that is, that if you will honestly try to live so that others are important to you, and that you do desire to place their welfare first in any relationship that you may have with them, that you will find out that THE MORE YOU GIVE THE MORE YOU WILL RECEIVE. If you want proof of this, the fellow who writes this column can give you case after case where "bread cast upon the waters" did come back multiplied a hundred fold. And we are not bragging either—anyone can do it—all you have to do is to APPRECIATE HOW MUCH THE OTHER FELLOW MEANS TO YOU AS ANOTHER HUMAN BEING—PUT OUT YOUR HAND OF HELPFULNESS—AND MEAN IT.

Suggested Revisions of Securities Acts

(Continued from page 2339)

The Securities and Exchange Commission has recently prepared and submitted studies regarding a proposed amendment to the Securities Acts affecting smaller companies and the Chairman has submitted a study regarding changing rules covering the solicitation and sales of new issues. This attitude of the Commission and the present Chairman, Hon. James Caffrey, was most constructive and will be beneficial to the securities business and the economy as a whole. This Commission undoubtedly reflects the recent changes in personnel. As we can anticipate a change after Nov. 5, in the political complexion of the country and the Congress, which will affect the whole philosophy of the Securities Acts, 1947 would seem the proper time to present to the Congress the necessary changes in the Acts.

It is questionable whether the recent markets have operated any better in protecting the investing public than in 1929 before the Securities Acts were passed. Thirty-eight states now have uniform "Blue Sky Laws." Similar laws should be passed in the other ten states, especially in New York, and all state and local matters concentrated in the state securities departments. Interstate matters, of course, would remain with the SEC and efforts should be made to reduce the many unnecessary functions of the Commission and Congress should appropriate these savings to an increase in pay of the Commission members and the staff commensurate with the importance of their job to the national economy as a whole. The following suggestions are submitted for consideration:

1. THE BOREN BILL. This legislation is vital to the municipal business. Due to Boren's defeat, a new sponsor will have to be obtained. It will probably be best to attempt to have the bill re-introduced by the Chairman of the Interstate and Foreign Commerce Committee. Everyone in the industry, not only municipal but also the corporate groups, should devote all the time and effort necessary to the passage of this legislation. The protection of states, cities and counties, insofar as their financial control is concerned, is necessary to keep the American system of government and the American way of life.

2. THE CHAIRMAN has proposed a change in the rules regarding the use of "red herring" prospectuses. These suggestions are very welcome to the industry, as obviously the present rules have worked greatly to the disadvantage of the small investor, who actually is the one the Securities and Exchange Commission is supposed to protect. It would seem this problem should best be handled by an amendment to the Act and there should be clear terminology in the amendment defining and separating "solicitation and sale." It should be possible, first to send out a one-page summary which would be solicitation, but sales would not be binding until 24 hours after the prospect had received the final prospectus. An amendment to the Act would result in a clearcut legal situation which would be beneficial to the public, the underwriters and dealers. The investor, especially the small one, is entitled to information that he can understand and proper information, which he is not getting at present. The Act on this particular point, as passed by Congress and as administered, favors the large investor and the sophisticated investor entirely at the expense of the small investor. This result was certainly not the intent of Congress.

3. THE SECURITIES AND EXCHANGE COMMISSION has proposed legislation regarding specific information to be furnished by small companies having 300 stockholders and $3,000,000 in assets. While most everyone is against the further extension of Federal power by all governmental agencies, this legislation might be advantageous to the investing public and the securities industry, if approached from the proper angle. No one will deny that it is proper to support any amendment which would give investors in unlisted securities more information, but the important thing is to see that they get proper information and in an understandable form. If this Act should be passed, a definite minimum standard should be set up to determine the suitability of all issues of securities for Exchange trading. This must be done to protect the public interests of the "Main Street" investing public. Unlisted trading privileges should be eliminated on all Exchanges, as part of this particular legislation.

4. THE SECURITIES AND EXCHANGE COMMISSION has promised that Congress should make a report on the operations of any organizations that have been formed under the "Maloney Act." It should be definitely reported how these organizations are run and that they are run to the interests of the investment concerns who are members, in accordance with the general laws governing the conduct of trade associations. Many lawyers have felt that this piece of legislation definitely violated the Sherman Anti-Trust Act; so it is vital that Congress every two years has a report from the Securities and Exchange Commission, as was promised, as to the status of these organizations, how they are run and as to whether the public and dealer interests in these semi-public organizations are properly safeguarded. Care must be taken to see that private bureaucratic organizations are not the result of this legislation.

5. CONGRESS should rescind its action regarding Regulation "T" and the extension of credit. The promulgation of this Act is in the hands of the Federal Reserve banks now and its enforcement is in the hands of the SEC, which has resulted in endless confusion to the detriment of the investing public, especially the small investor and the investor in the smaller communities. Both functions should be in the hands of the SEC, but the use of this power should be definitely circumscribed for use only in times of national emergency as authorized by Presidential proclamation.

6. LEGISLATION should be presented to Congress taking away from the Federal Reserve Board the right to prescribe credit rules for listed and unlisted securities. The Federal Reserve Act, which provides the System, shall be responsible for "credit conditions favorable to sound business" has not been carried out by the present Board. There is no sense to their handling of these rules in the past and they have discriminated against securities, no rules having been put into effect governing real estate, farm lands, commodities, etc. The Board would not dare put any of the latter on a cash basis. Securities should not be discriminated against. The control of extension of credit over securities by this Board in the past few years has not been used for the purpose of credit regulation, but in furthering the political and social aims of the Chairman and some members of the Board. This power should be put in the hands of the SEC to be used in the interests of the whole economic system and invoked only in certain well-defined conditions of national emergency by Presidential decree. There should be the same rights of extension of credit on securities, whether they are listed or unlisted. Actually the power should be in the hands of the individual banks as to whether they want to make loans on security collateral or not. Their conduct is carefully examined a number of times a year and these examinations should be a sufficient safeguard for proper credit restrictions. Restrictions should be lifted on the listed markets so as to make them operate with liquidity as auction markets should operate.

7. There should be a complete survey of the Investment Company Acts and these Acts should be amended so that it would be easier to form local investment companies. The question of trading markets and fixed wholesale purchases and sale prices should be re-examined in the light of investor and trading experiences. As far as the development of the economy is concerned, companies of this kind that can invest in securities of their particular area and participate in new issues, would do a lot more in building up the economy as a whole, than companies that just invest in New York listed stocks. Quoting from the remarks of the Commission, "It is obvious that investment companies, if they are to function in the capital markets, cannot adhere to their historic investment policy of merely buying and selling the outstanding securities of large well-known corporations — the market leaders."

Mr. Lea, present Chairman of the Interstate and Foreign Commerce Committee has suggested that hearings be held next year to fully go over the Securities Acts and make certain changes for the benefit of the investing public and the country as a whole. The 80th Congress can definitely be expected to undertake the first real report on the administration and results of the Securities Acts and will undoubtedly review the Acts as they affect all branches of the securities industry. Therefore, it is vitally important that all organizations in the securities business meet with the SEC and endeavor to agree on the necessary legislation to present to the Interstate and Foreign Commerce Committee. The pendulum has swung back to the middle and we may now expect a definite revision of the laws in the public interests and the administration of same in the interests of national economy as a whole, and not to prove a political or social theory.

The Securities Acts followed the French theory of jurisprudence, that a man is "guilty until he proves himself innocent." This theory has been one of the greatest basic weaknesses in the whole French political structure. The American basic theory is, "that a man is innocent until he has been proven guilty." The Securities Acts should be carefully revised in the light of American law and the American system of government.

Stock Ownership and Thin Markets

(Continued from first page)
on easily demonstrated facts. Unfortunately, it will take a few figures to develop them; and too many figures easily can be boring. These statistics, however, ought to be stimulating to anyone interested in interpreting current stock market trends.

It would be a tremendous task to examine name by name the shareholders lists of 50 representative corporations, comparing each list as of a specific date with the lists as of 10 or more earlier dates. By so doing, however, one could get the exact history of each owner of record. It would be a project for some great research organization, or for some school of business administration. It is only through such a project, perhaps, that absolutely accurate information regarding the mobility of stock ownership could be attained. It is necessary, therefore, to devise some more simple, even if less accurate, approach.

A Method of Approach

The method employed in the research on which this study is based is a short cut. The number of outstanding shares of each stock simply has been divided by the volume of shares traded on the New York Stock Exchange each year. Thus, if a company has 1,000,000 shares issued and 100,000 shares are traded in a 12-month period, the annual disturbance in the stockholders list (or in ownership) is assumed to be 10%. Likewise, it is assumed that 90% of the stock did not change hands during the year.

Obviously, this method does not cover odd-lots completely. It covers only the number of shares traded rather than the number of investors who buy or sell, and fails to allow for the individuals and institutions who buy and sell the same stock more than once during the year. Of course, too, it is subject to a small margin of error originating from stock held in the names of nominees, or in the names of brokers, for the accounts of others. On the whole, on the other hand, the method certainly gives a good qualitative idea of what is going on. The net margin of error in it hardly can be so flagrant as to impair its usefulness for the purposes at hand.

By employing this method, some rather startling statistics have been developed. It is indicated, for instance, that over the past 10 years (1936 through 1945) there never has been a year in which more than 7.4% of the outstanding shares of duPont have changed hands; or, to put it another way, the year in which duPont's common shareholders were most restive (1938) about 92.6% of the outstanding stock was not disturbed at all. In 1945, the year of "least disturbance," 98.2% of the ownership of duPont common stock remained unchanged.

Annual Turnover Decreasing

Issues in which the "disturbance" was less than 10% in 1945, include such "good names" as American Can, American Tobacco, American Tobacco B, Borden Company, Commonwealth Edison, Diamond Match, Dow Chemical, duPont, General Electric, General Foods, International Harvester, Kroger, Monsanto Chemical, Kennecott, Lambert, Montgomery Ward, National Dairy Porducts, Pennsylvania Railroad, Procter & Gamble, Socony Vacuum, Standard Oil of California, Standard Oil of New Jersey, Texas Corporation, Union Pacific, United Fruit and Woolworth. In other words, theoretically and probably actually, more than 90% of the people who held these stocks at the beginning of the year did not sell them at any time during 1945.

The highest turnovers figured out of a list of 50 stocks last year were found to be 82.4% in New York Central, 48.8% in Douglas Aircraft, 39.3% in American Rolling Mill and 32.6% in Columbia Gas & Electric. (In the case of the latter stock, of course, United Corporation was selling out part of its large holdings. Turnover was abnormal for this reason.)

The average annual turnover in the 10-year period covered was under 8% in 17 issues, at least 8% but under 15% in 19, at least 15% but not over 25% in three, and over 25% but under 60% in nine, and over 100% in only two, namely Douglas Aircraft and U. S. Rubber common, both of which were turned over less than 50% in 1945 alone.

By all means the most significant fact developed by the study was that stock "disturbance" is showing a fairly consistent decrease from year to year. Without reproducing all the figures, let us take a few representative issues, showing the turnover in 1936 and 1937 against the turnover in 1945 and 1946:

	—— Trading on NYSE —— Percentage of Total Outstanding Shares			
	1936	1937	1944	1945
American Can	18.1%	16.9%	4.5%	4.9%
American Rolling Mill	72.3%	100.0%	21.6%	39.3%
Anaconda	48.8%	56.8%	11.4%	17.3%
Bethlehem Steel	65.7%	99.5%	20.5%	30.5%
Chrysler	114.7%	106.3%	13.0%	18.4%
Douglas Aircraft	417.5%	218.0%	45.4%	48.8%
DuPont	4.6%	5.0%	2.0%	1.8%
General Electric	11.6%	12.5%	4.2%	4.8%
General Motors	12.8%	16.3%	3.1%	3.4%
Kroger	29.5%	16.5%	5.9%	7.4%
Montgomery Ward	76.4%	49.2%	11.2%	16.4%
Pennsylvania Railroad	12.4%	9.4%	7.0%	7.9%
Standard Oil of New Jersey	10.3%	7.9%	3.2%	3.8%
U. S. Rubber	181.4%	128.0%	29.0%	26.6%
Woolworth	12.4%	9.4%	4.3%	4.8%

This change in turnover between 1936-1937 and 1944-1945 easily could be attributed in part to the decrease in margin trading. While margin trading still was permitted through 1944 and 1945, margins were much higher than in 1936 and 1937, and there was less disposition to trade in higher priced stocks. There was more activity in 1945 and 1944 in the low-priced, highly speculative issues than in the better type stocks tabulated. The fact remains that, for whatever reason, less stock ownership was being disturbed in 1944 and in 1945. The market was less active, and markets were thinner. People were owning stocks more or less permanently.

All NYSE Stocks in September

Incidentally, this may be a good place to call attention to another somewhat startling fact. A computation shows that in the month of September, 1946, when there was an unusually rapid price change going on on the New York Stock Exchange, only 2.47% of all the stocks listed were traded. In other words, in September of this year, when stock prices were breaking rapidly, it is indicated that 97½% of all the stock listed on the New York Stock Exchange did not change hands at all. If all the people who owned common stocks at the beginning of September had been warned in advance of the decline, only 2½% of the stocks owned could have been sold without putting prices down 11.1%. This was the percentage decline in the Dow-Jones 65 stocks average for the month. It should be added, I think, that many owners of stocks almost certainly WOULD NOT have tried to sell even if they had known prices were going down.

Having established the fact that stocks are not changing hands as frequently, that a smaller percentage of the ownership of leading corporations is changing hands, let us now pass to the second part of the study and show that markets are getting thinner and thinner. That, it almost might be said, is a necessary corollary to what already has been established. If less of anything is changing hands, the chances are that the market has less body. It is buying and selling which gives any market substance, and lack of buying and selling which makes it thin.

A Test for Thinness

The test of the thinness or thickness of any market is its ability to absorb a good volume of offerings without price recessions. A thick market will take a lot of stock without selling off much. A thin market sells off a lot when called upon to absorb small offerings. Furthermore, the test of the thinness and thickness of a market does not come under what might be called "normal" conditions, but under abnormal conditions.

In the period from the 22nd of August to the 21st of September of this year the stock market was subjected to a "test." Of course, there never can be more stock sold than bought, but there are periods when the urge to sell is greater than the urge to buy. This was one of them. Let's see what happened in a few representative stocks.

Going back over the record, we find that 62,900 shares of Great Northern preferred stock changed hands for approximately $2,967,611. The price of the stock dropped from 57¼ to 41¾. This meant that the stock market appraisal of all the shares of Great Northern issued declined $48.1 million from $177.7 million to $129.6 million. To state it another way, trading in 2.03% of the total outstanding stock of the company for a dollar amount of $2,967,611 put the stock market's appraisal of all of Great Northern's stock down $48.1 million. The market appraisal of the company dropped about $16.59 every time a dollar's worth of stock traded hand, or about $4,600 every time 100 shares of stock was sold.

Developing similar figures for other stocks, it is easy to show that Great Northern preferred was far from being the worst behaved stock on the board. In the same period other even better known stocks acted still worse on the basis of similar figures. Here are just a few:

	——Trading in 21 Sessions Aug. 22-Sept. 21—— Part of Issue Traded	Decline	Decline in Mkt. Appraisal Per Dollar's Worth of Stock Chang'g Hands
American Rolling Mill	8.30%	19.4%	$2.00
Chrysler	5.40%	23.2%	5.00
DuPont	0.31%	16.3%	60.00
Eastman Kodak	0.42%	10.2%	29.00
Ex-Cell-O	3.60%	31.9%	11.00
General Electric	0.80%	15.9%	24.50
General Motors	0.80%	18.7%	29.00
Montgomery Ward	3.70%	12.3%	3.50
National Oil Products	2.00%	21.5%	9.00
Southern Pacific	4.60%	28.6%	7.50
Union Pacific	0.98%	18.0%	29.50
U. S. Playing Card	0.49%	17.2%	40.00
U. S. Steel	3.20%	21.6%	7.50
Warner Brothers Pictures	4.90%	13.8%	3.00
Woolworth	0.73%	11.2%	17.00

A cursory examination of these figures suggests that duPont, during the break, had one of the "worst" markets of any of the issues tabulated. American Rolling Mill, Warner Brothers Pictures and Montgomery Ward had "better - than - average" markets. To anyone pressed to sell immediately, the situation in U. S. Playing Card was particularly annoying. The stock between Aug. 22 and Sept. 9 actually dropped $141 for each $1.00 worth of stock traded, putting the market value of the company down $9,650 every time 100 shares of stock changed hands.

It should be stressed that these particular stocks are "representative" rather than "exceptional." In selecting them, an effort was made to pick out various types of market. Most people think of the Ex-Cell-O and National Oil Products markets as thin. Actually, these markets, in relation to the size of the company, really seem to be thicker than the markets in issues like General Electric and General Motors. A dollar's worth of trading does not result in so many dollars change in the market appraisal of the company. Of course a dollar's worth of trading does result in a larger percentage change in the quoted price of a share of stock. There are fewer shares issued.

Seller's Position Weakened

Having shown that more stockholders are hanging on to their shares, and that price changes are very large notwithstanding the small volume of trading, it follows that the stock market is not as safe a place as formerly for the potential seller. Since 1933, a great deal has been done, or at least a great deal has been attempted, in the way of protecting the buyer of stocks. Little has been done to make the markets more efficient in absorbing selling. Indeed, the things which have been done to protect buyers may have made it harder for the investor to liquidate in a hurry.

Measured by pre-SEC standards, the volume of liquidation which came into the market in September was not large. It was ever-so-much smaller than in October and November, 1929, or in September and October of 1937. Again, it was smaller than the market had to absorb in February and March of 1926, or in the late spring of 1940 when Hitler invaded the Low Countries. Yet the price impact of each million shares on prices was greater by any measure.

The Excessive Price of Regulation

I suppose we have to surrender some advantage in economics for every new "good" we acquire; but it does seem that the price of regulation and government purge in the stock market has been a loss of efficiency in absorbing liquidation. I suspect that regulation explains, to a degree, why markets now are such one-way streets. While we have a bull market, we seem to have few contra-trend reactions, and when we have a bear market we seem to have only a few and weak contra-trend rallies. The system of checks and balances formerly supplied by such things as margin trading, short selling, insider support, and trading for a short turn by wealthy people seems to have been weakened.

It does not pay a rich man to take the risk of buying for a quick rally if the short term profit he seeks is taxable at the rate of 70%, 80%, or 85%. The loss, if it comes, is all his; but the profit is 70% or more the government's. Furthermore, the insider, if he buys his own company's stock to support it in a weak market, must turn over any short-term profit to his company or be sued by his directors.

The advantages of more permanent corporate ownership are self-evident, but more permanent ownership deserves to be rewarded by better markets, rather than penalized by more volatile ones.

It is undeniable, too, that a collapse in values, such as we lately have experienced, does have an effect on the economy, all outside of the inferred prophecy of less favorable business conditions to come. People have a perfectly natural inclination to measure their wealth, and their ability to spend, by the market appraisal of their wealth. The man who owned 1,000 shares of Chrysler recently thought he was worth $140,000. When this was written he could sell for only $78,000. He knows it. He does not feel as able to spend money. He owns just as much property as he did before the break — but he can't sell it for as much.

These bad breaks in stocks do have an important economic significance. The market value of all the stocks listed on the New York Stock Exchange declined some $7½ billion in the month of September. See what the task of finding new owners for only 2½% of the stocks did in the month of September! What would happen if 10% or 15% of all the stocks now owned by investors had to find new owners over a period of, say, four or six months?

Bosworth, Sullivan Co. Formed in Denver

DENVER, COLO. — With the consolidation of Bosworth, Chanute, Loughridge & Company and Sullivan & Company, effective Nov. 1, the resulting corporation, to be known as Bosworth, Sullivan & Company, becomes the largest investment banking house in Denver and one of the largest in the country. The new company is headed by Arthur H. Bosworth, as Chairman of the board, and John J. Sullivan, as President.


John J. Sullivan

The two predecessor firms were leaders in the investment banking business in the Denver area for many years. The Bosworth organization was formed in 1916 by Mr. Bosworth, together with W. Octave Chanute and Paul Loughridge. Dudley F. Baker and J. Wallace Coxhead, who were officers in that company, will be officers also in the new firm. Sullivan & Company started in business in 1927 as an individual proprietorship and was later changed to a partnership, with Mr. Sullivan and Paul E. Youmans as general partners.

The new firm combines the personnel of both predecessor companies and henceforth will conduct business in enlarged quarters on the ground floor of the Security Building.

Formation of Bosworth, Sullivan & Company was previously reported in the "Financial Chronicle" of Sept. 19.

Why the Soviet's Absence From Bank and Fund?

(Continued from first page)

rently, the British Chancellor of the Exchequer, Mr. Hugh Dalton, who is a governor of both institutions, consoled his fellow delegates with the statement that Russia's absence from the first business meetings "would not be fatal." He expressed hope that the Soviets would eventually join the Fund and the Bank and thus help promote international monetary cooperation.

At the inaugural meetings of the boards of governors held in Savannah, Georgia (March 8-18, 1946), the Soviet Government was represented by two observers: Professor-Doctor F. P. Bystrov, who was a Soviet delegate at the Bretton Woods Conference, and D. L. Dolotov, Senior Economist of the Government Purchasing Commission of the USSR in the United States. Encouraged by the presence of these observers, the boards of governors adopted a resolution extending "acceptance of membership by Schedule-A countries until Dec. 31, 1946." Currently, no Soviet observers were present. This is further evidence of the anomalous state of affairs that prevails between and among the Great Powers.

Reasons for Soviet Russia's Absence Explained

What are the underlying reasons and some of the motivating forces that prompted the Soviet Government *not* to ratify the Articles of Agreements even though they actively participated in the Bretton Woods Conference, the birthplace of the Fund and Bank? This latest Soviet action, or lack of action to be exact, affecting the Fund and Bank, is an outgrowth of deeply embedded psychological factors, which, in turn, have given expression to the complex bickerings and jockeying for position bearing on composite geo-political issues and economic interests of the United States and Great Britain, on the one hand, and of the Soviet Union on the other. Soviet Russia's attitude towards these newly established international financial agencies must needs be viewed within the frame-work of the total global picture and not as an independent entity. These agencies are parts of the over-all plan for general international organization to improve the lot of humanity everywhere.

On the basis of a perusal of some of the most recent writings of Soviet political economists: Evgeni S. Varga, Yu. Vintser, Josif A. Trakhtenberg, A. F. Voskresensky, N. N. Lynbimov, Z. V. Atlas and of the Soviet delegates at Bretton Woods, it is reasonably safe to summarize herewith some of the basic reasons for this and subsequent Soviet course of action bearing on stabilization of currencies and economic development.

Succession of Events Leading to Soviet Abstention

A series of extenuating circumstances surrounding geo-political factors and a succession of global events during the past two years have led to Soviet Russia's failure to become a charter member of the Fund and Bank.

At the Bretton Woods Conference the Soviet delegates were very active. In fact, many of the provisions of the Articles of Agreements were written by them. To be sure, on the basis of the subsequent reports published in Russian journals and signed articles written by Mikhail S. Stepanov, chairman of the Soviet delegation, and I. D. Zlobin, another delegate at Bretton Woods, it seemed that they came away with no great enthusiasm. Having participated in the organization meetings, the writers invariably concluded that they might have more to gain than lose by ratifying the Articles of Agreements.

The negative thunderbolt seems to have been struck when the Anglo-American Financial and Commercial Agreements were announced on Dec. 6, 1945, three weeks prior to the dateline—Dec. 31, 1945—for charter-membership applications in the Fund and Bank. Soviet spokesmen received this announcement with misgivings and apprehension. They regarded the then projected loan as an active sign of preferential treatment given to the United Kingdom and as an indirect effrontery to the Soviet Union. Having refused to become a charter-member of the Fund and Bank, Soviet interest in these organizations began to wane. Then followed the universally publicized speeches of Secretary of State James F. Byrnes, Senator Arthur H. Vandenberg and Mr. John Foster Dulles, promulgating a "be-tough-with-Russia" policy. The passage of the "loan" to the United Kingdom by Congress, without even a simultaneous gesture shown to Russia, made it almost a foregone conclusion that the Soviets would not participate in the first business proceedings of the Fund and Bank.

But it must be realised that the Soviet Government has so far chosen to ignore the three American notes concerning a loan to Russia and the recent requests for a settlement of the Lend-Lease account. Such overt ingratitude bodes ill for the coveted economic cooperation between the Great Powers. More important, the stoppage and subsequent regranting of the loan to Poland through the Export-Import Bank and the current suspension of negotiations for a similar loan to Czechoslovakia at the request of the State Department are logical consequences of the ill-advised pressures brought to bear on these two countries by the Soviet Government.

This anomalous state of affairs is bound to have a deleterious effect on the pending applications for loans by Poland and Czechoslovakia to the World Bank. For, the financial affinity between the United States Government and the Boards of Governors of the Fund and of the Bank is a natural outgrowth of the developments and functions of these two agencies.

Lack of Veto Power Is a Deterrent Factor

Unlike the Charter of the United Nations, the Bretton Woods Articles of Agreement, which constitute the legal basis and financial structure of the World Bank and Monetary Fund, do not provide "veto power" for the three largest subscribers to these institutions. As is known, the basic concept of the "veto" was that the Great Powers who had contributed most toward winning the War and had the greatest stake and the widest responsibility for maintaining the peace should have the *right* to prevent action against themselves or their vital interests by other nations. When the Final Act of Bretton Woods Conference was adopted in July, 1944, provisions apropos of "veto power" did not loom so high. Later, when the preliminary draft of the United Nations Charter was being drawn up at Dumbarton Oaks in October of the same year, the "veto" provision began to assume increasing significance. The Big Three—United States, Soviet Union, and United Kingdom — were equally determined to insert the "veto" provisions in the Charter. But the Soviet arbitrary use of the veto power has been hamstringing international relations. Subsequent experience demonstrated that the "veto power" has proved a potent weapon when used by the Soviet member of the United Nations Security Council, since decisions must be made by an affirmative vote of the seven permanent members of the Security Council. Consequently, in the absence of veto provisions the Soviets are reluctant to participate in the Fund and the Bank, fearing that they would not have the right (means) to prevent action by the respective boards of governors that the Russians would oppose. This fear is greatly magnified by the fact that the USSR's role in international finance and foreign trade is infinitely inferior to that of the United States and/or the United Kingdom.

Whatever the relative merits and demerits of the "veto power" may be, until the political and diplomatic entanglements will be more favorably synchronized with the economic and financial factors, on a global basis, especially the relationship between the United States and the Soviet Union, the Russians are likely to remain aloof to the Fund and Bank.

Soviet Sensitivity Reciprocated in Kind

Soviet political economists have adumbrated to the fact that "top" officials in the United States Government have not treated Soviet "top" officials with deference commensurate with that due representative of the Second Great Power. This has been especially true since the international financial center has been transferred from London to New York.

A current issue of "Vneshnaya Torgovlya (Foreign Trade), Organ of the Ministry of Foreign Trade of the USSR, publishes a report of the Boards of Governors Inaugural Meetings held in Savannah, Georgia, last March. Lord Keynes is quoted to the effect that the United States is apparently planning to utilize the Fund and Bank for the purpose of of strengthening its economic hegemony the world over. The writer does not seem to be apprehensive about these developments, but he observes that the United Kingdom was compensated for its passive resistance to the Bretton Woods Agreements by granting it a "loan" of 3.75 billion dollars. No such compensation was offered to the USSR. Moreover, the manner whereby the State Department mishandled the Soviet application for a "loan" has been deemed to reflect an utter lack of deference due a Great Power, let alone the fact that the Soviets were and are very eager to receive a "loan" from the United States.

This may well be one of the reasons why the Soviets failed to acknowledge the telegram sent to them on Aug. 27 by Secretary of the Treasury John W. Snyder, who is chairman of both boards of governors, inquiring whether an invitation was desired to send Soviet observers to the first business meetings of the Fund and Bank.

Present Adherence to the Fund Would Place the Soviet Union Third in Rank Instead of Second

Publicized Soviet pronouncements continually reiterate the thesis that the USSR has emerged from World War II as the Second Great Power, second only to the United States. Psychologically, Soviet leaders *are not* prone to accept a *third* place position assigned to them by virtue of the quotas fixed for the International Monetary Fund. This psychological factor has had an overwhelming influence on Soviet decisions at the Peace Conference in Paris, at the United Nations Security Council in New York, and presently in their attitude towards the *Fund*.

According to the Bretton Woods Articles of Agreements, the United States leads the Schedule-A countries in the Fund with a quota of \$2.75 billions, the United Kingdom second, with \$1.3 billions, and the Soviet Union third with \$1.2 billions. In all probability, the Soviet Government's eventual adherence to the Fund would be predicated on a quota placing Russia *second* in rank on the basis of quotas and corresponding votes. This principle is equally applicable to the World Bank. Because under the basic rules of the Fund and the Bank, a member found "ineligible" to use the Fund is automatically "ineligible" to use the Bank as well.

As a compensatory consideration for Soviet participation in the Fund, they would prefer to exploit the political prestige that would redound to them in being recognized as the Second Great Power on the economic and financial front as well as on the political and military front.

American Loan Would Enhance Soviet Political Prestige

The Soviet Government has large gold reserves and has trebled its gold production during the past two years. Hence it can purchase producers' goods in quantities that would defy any estimates on the basis of past experience. The Soviets would prefer to buy machine tools, heavy equipment, producers' goods, and even consumers' goods and pay for same largely with gold and with some goods that Russia can presently export. Political and diplomatic entanglements notwithstanding, Americans are now building factories, constructing plants in the USSR and huge quantities of producers' goods are being shipped almost daily to Russia. Most of these transactions are carried out on a cash-and-carry basis. Yet, the Soviet Government is very eager to receive a sizable loan from the United States Government (as distinguished from private transactions) primarily because such a loan would carry with it invaluable political prestige. This political prestige could redound *now* to the benefit of the Soviets in their gigantic tasks of integrating the economies of ten countries in Europe, five in the Far East and two in the Middle-Near East. Soviet penetration into these areas would be expedited if Russia were to receive a substantial loan from the United States.

Interference With Basic Long-Range Objectives

At the Peace Conference in Paris and in the Economic and Social Council in New York, Russian spokesmen have continually reiterated the Soviet thesis which their political economists have been expounding during the past two years; namely, that it is contrary to the Soviet far-flung plans to rebuild the European economy *now* on a unified continent-wide basis. Latest speeches of Soviet delegates are in the form of corollary explanations of their objections to treating Europe as an economic entity which does not correlate European problems and resources with those of the rest of the world. This is the apparent reason why the Soviets rejected the plan for creating a central coordinating commission and special new agencies to deal with manpower, water-power, housing, trade, natural resources and machinery. It follows, therefore, that the Soviets are not interested for the present, nor for visible months ahead, in the functions of the International Bank for Reconstruction and Development; particularly if the Bank will be guided by the same motivating principles underlying the "plan" to treat Europe as an economic entity. Obviously, establishing a central coordinating economic commission designed to integrate the European economy as a unit would interfere with and is the anti-thesis of the Russia master-plan to integrate the economies of the Danubian countries into the Soviet economic system. (See the "Chonicle" for Sept. 12. See "Harvard Business Review," Autumn, 1946.) Accordingly, the Soviet Government can presently ill afford to support or help create international agencies, economic or cultural, that might interfere with their long-range basic objectives.

Reluctance to Furnish Requisite Information

Oddly enough, the Final Act of the Bretton Woods Agreements incorporated several provisions that were suggested by the Soviet delegates themselves or were designed by the Conference for the benefit of the Soviet Government. One of the most significant provisions of this nature is Article IV, Section 5, paragraph (e) in Annex A of the Monetary Fund, which provides that a member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund. This provision thus records that the par value of the ruble is of relative insignificance in so far as international trade is concerned, since the ruble is quoted neither at the New York nor London monetary markets. However, many significant events have occurred since the Final Act was adopted in July, 1944, that call for basic revisions or amendments with a view to safeguarding the basic objectives of the Fund and the Bank. Suffice it to observe that within the visible future the par value of the ruble in international transactions will assume increasing importance; so much so that a radical change in the par value of the ruble will have a very profound effect on the currencies of the countries comprising the Soviet orbit and will affect international tranactions, the present provisions of the Fund notwithstanding.

More important, members of the Fund will be required to furnish economic information which the Soviets have heretofore regarded as "top secret" and sacrosanct. Specifically, Article VIII, Section 5, requires members to furnish the Fund *national* data on the following matters:

(i) Official holdings at home and abroad, of (1) gold, (2) foreign exchange; (ii) Holdings at home and abroad by banking and financial agencies, other than official agencies, of (1) gold, (2) foreign exchange; (iii) Production of gold; (iv) Gold exports and imports according to countries of destination and origin; (v) Total exports and imports of merchandise, in terms of local currency values, according to countries of destination and origin; (vi) International balance of payments, including (1) trade in goods and services, (2) gold transactions, (3) known capital transactions, and (4) other items; (vii) International investment position, i.e., investments within the territories of the member owned abroad and investments abroad owned by persons in its territories so far as it is possible to furnish this information; (viii) National income; (ix) Price indices, i.e., indices of commodity prices in wholesale and retail markets and of export and import prices; (x) Buying and selling rates for foreign currencies; (xi) Exchange controls, i.e., a comprehensive statement of exchange controls in effect at the time of assuming membership in the Fund and details of subsequent changes as they occur; (xii) Where official clearing arrangements exist, details of amounts awaiting clearance in respect of commercial and financial transactions, and of the length of

time during which such arrears have been outstanding.

Obviously, a substantial "price" will of necessity have to be paid to the Soviets in consideration of their consent to furnish the required data. A substantial "loan" to be granted by the United States Government during the latter part of 1947, in and of itself may not be of sufficient weight.

No Need for Soviet Observers

Soviet political economists are fully aware of the fact that the World Bank is the *bait* for the Monetary Fund. Reservations made and misgivings expressed by Soviet spokesmen at the Bretton Woods Conference were to the effect that membership in the Bank is contingent on membership in the Fund, but not vice versa. Thus Colombia is a member of the Fund and not of the Bank. The Russians were willing to consider favorably both projected agencies as a unit and to participate in both accordingly. But a consecutive series of extenuating circumstances in the field of Soviet-American relations have occurred during the past two years—since July, 1944—that militate against present Soviet participation in the Fund and consequently also in the Bank. It is immaterial whether the Soviet Government has official observers or not at the meetings of the boards, for the governments of Poland, Czechoslovakia and Yugoslavia are charter members of both the Bank and Fund. Moreover, these three countries are represented on the Fund by their executive director, Jan Viktor Mladek of Czechoslovakia, and on the Bank by Leon Baranski of Poland. The political affinity of these three governments with the USSR is too obvious; hence the Soviet Government will be well informed of the acrimonious discussions of and decisions made by the boards of governors of both the Fund and the Bank without having its own observers at the meetings.

Difficulties in Appraising Soundness of Soviet Economy

To be sure, a nation's currency can be kept sound and stable largely by its own internal policies. At their best, loans and credits can furnish only temporary or emergency support. Because of this interaction, loans can achieve their aims if made primarily conditional upon sound internal policies. It would follow, therefore, that a rigidly-controlled, planned economy, characteristic of the USSR, is conducive neither to the philosophy nor to the methodology of the World Bank and Monetary Fund. According to its leaders, the Soviet economic system is above and beyond the scrutiny and discretionary powers of the directors of the Fund and the Bank, respectively. The very nature and "inner (intrinsic) laws" of the Soviet collectivist economy would render the Fund and Bank almost inoperative, since the directors of neither organization will have access to sources of information and to be in a position to appraise the relative soundness of the internal policies of the USSR. This will eventually be equally true of the ten-odd European countries that are now in process of effecting controlled planned economies. To illustrate: almost 40% of the Soviet fiscal budget for 1946-47 is allocated directly or indirectly for production of armaments within the confines of the USSR. Moreover, the internal economic and social structures of Hungary, Poland, Yugoslavia, Rumania, Korea, Outer-Mongolia, and Manchuria are *now* undergoing basic profound changes under the direction and control of the Soviets. How, then, will the Bank and Fund be in a position to evaluate the relative soundness of the internal policies of these countries and the impacts on their respective currencies during the next few years?

Nevertheless, discretion is the better part of valor. In all probability the Fund will proceed with its currency stabilization work wherever possible, even though some war-devastated countries are in no condition as yet to stabilize. By the same token, the door is still open for the Soviet Union to join the Fund and the Bank, the apparent stumbling blocks notwithstanding.

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methods, in the hope of reward and at the risk of loss.

Insurance to eliminate hazards beyond the control of man is one thing, and it is highly necessary; agreements among competitors to eliminate the risks of competition by fixing prices at high levels and to freeze the status quo in industry is something else, and in my opinion it is destructive of free enterprise as we know it.

The Sherman Act is the basic economic bill of rights in our country and it has been for more than half a century the cornerstone of legislative policy regarding the relation of government to business. There have been some deviations from its underlying policy but sooner or later we usually have come back to it. Particular businesses may from time to time be subjected to special government regulations, but except in periods of emergency we seek to keep the vast area of American business free to compete under the principles of free enterprise.

Exemption of Insurance From Anti-Trust Laws

During a half century when the Sherman Act was being broadly construed to apply to industry and business generally, one great national industry—insurance—was commonly regarded as not subject to its provisions. Although insurance had become an integral part of our national economy and was mainly conducted across state lines a series of court decisions beginning with *Paul v. Virginia* [1] seemed to indicate that insurance was not commerce and so not subject to the Sherman Act.

The explanation of this anomalous situation is largely historical. After the Civil War, the insurance business expanded tremendously. This expansion was accompanied by flagrant abuses. Legislative corruption, unscrupulous propaganda, fictitious stocks and phantom capital were widely employed in the battle for quick profits. The several states thereupon enacted legislation designed to protect their citizens against the dangers of fly-by-night insurance companies with inadequate resources. Many of the regulations imposed were directed specifically at out-of-state companies.

In *Paul* v. *Virginia* the court was really confronted with the practical question of whether abuses in the insurance industry were to be subject to control by *any* governmental authority. There was no Federal legislation on the subject, and if the court had not permitted state regulation improper practices in the business would have been completely unchecked.

This concept continued in the rest of the so-called "insurance cases," culminating in *New York Life Insurance Co.* v. *Deer Lodge County*.[2] In each of these cases the insurance companies vigorously contended that they were engaged in interstate commerce. They were each time turned back. Finally, they gave up as hopeless their long fight against state regulation and taxation.

It is apparent that the major concern of the court in the "insurance cases" was the preservation of the great body of state regulation which had grown up over the years. The doctrine of concurrent state and Federal powers had not been fully evolved and the court seems to have thought in absolute terms. As was said by Mr. Justice McKenna in the *Deer Lodge* case:

> "We have already pointed out that if insurance is commerce and becomes interstate commerce whenever it is between citizens of different states, then all control over it is taken from the states and the legislative regulations which this court has heretofore sustained must be declared invalid."

The trend of decision in commerce cases, however, has been toward the concept that there is a wide area within which both Federal and state regulation may exist. The primary question has become one of whether the competing demands of state and national interest can be accommodated together in each particular situation or whether one must bow to the other.

The Recent Decision of Supreme Court

In 1944 the issue so far as it concerns insurance was finally resolved by the Supreme Court in the *South-Eastern Underwriters Association* case.[3] In that case, the court for the first time considered the application of a Federal statute to the business of insurance. As you all know, the court held that insurance is commerce and subject to the Sherman Act. It also indicated a conviction that fears regarding the continuation of state regulation were exaggerated. The court noted that:

> "Few states go so far as to permit private insurance companies, without state supervision, to agree upon and fix uniform insurance rates. Cf. *Parker v. Brown*, 317 U. S. 341, 350-352. No states authorize combinations of insurance companies to coerce, intimidate, and boycott competitors and consumers in the manner here alleged, and it cannot be that any companies have acquired a vested right to engage in such destructive business practices."

It is interesting to note that in 1906 the committee on insurance law of the American Bar Association issued a report in which it concluded that "*Paul* v. *Virginia*, and the cases based upon it, involved a fundamental error in their repudiation of the uses and practices of the commercial world." This report had been preceded in 1905 by a poll of the association membership in which 71% of the voting members stated their belief that the business of insurance was commerce or an integral part thereof. Thus, almost 40 years before the decision of the Supreme Court in the SEUA case, the members of this association anticipated the result reached by the court.

As might have been expected the institution of the SEUA case aroused the insurance industry. Various practices charged in the indictment were clearly of the type previously adjudicated to be violative of the Sherman Act in other industries. Whatever their genesis and purpose, they had been generally practiced in some parts of the insurance business. Preoccupied with the management of their companies, many insurance executives had ceased to question these practices or to consider their effect upon free enterprise. Insurance is admittedly a complicated business. The prospect of having to devise new methods and procedures seemed most startling indeed.

The first reaction was the initiation of a movement to attempt to anticipate the court's decision by seeking for insurance legislative exemption from the Sherman Act. A number of wholly baseless allegations were made regarding the motives of the Department of Justice. Legislative chambers resounded with charge and countercharge. The true motives of the proponents of complete exemption were hidden under the mask of an attempt to protect state legislation. This was clearly camouflage. Every lawyer knows that once declared to be interstate commerce by the Supreme Court, insurance would be subject to Federal powers, therefore subject to Federal regulation at the will of Congress irrespective of whether the Sherman Act applied or not. Obviously, legislative exemption from the Sherman Act would not have solved any broader problems, if they had existed, of state interference with interstate commerce.

Public Law 15

The first exemption bills failed. Thereafter, a more constructive proposal was presented to Congress after consultation with Federal and state officials and the industry. On March 9, 1945, this measure, Public Law 15 [4]—the McCarran Act—became law. It affirmed the principle of state regulation and granted the business of insurance a period of moratorium from the application of Federal antitrust laws.

In terms of the preservation of the power of State regulation the necessity for Public Law 15 may be debatable. In the SEUA case the court indicated that, in the absence of Federal legislation, the power of the States would be unimpaired. Subsequent decisions have affirmed this conclusion. I refer to the holdings in *Robertson* v. *California* [5] and *Prudential Insurance Co.* v. *Benjamin*,[6] both decided in June of this year.

In the Robertson case a unanimous court sustained the principle of State regulation of insurance under the police power of the States without relying upon Public Law 15. In the Benjamin case the court considered the more troublesome problem of State taxation of out-of-state insurance companies. While it is true that the court relied primarily upon Public Law 15 as a general protection for State taxing systems, there is language in the opinion indicating that the same result might have been reached in the absence of Public Law 15. Nevertheless, the effect of Public Law 15 has no doubt been salutary in aiding to dispel confusion which might otherwise have resulted from the necessity of accommodating State regulations and private practices to the decision that the business of insurance is interstate commerce.

But the most significant phase of the interaction of the SEUA decision and Public Law 15 is the fact that the enactment of this statute terminated a bitter struggle by some elements of the business to remove insurance wholly from the rules of the free enterprise system. Instead of permitting this result, Congress granted an opportunity to the industry and to the States to demonstrate how free enterprise in the insurance business can be preserved subject to State controls designed to protect the public interest.

What Public Law 15 does is to declare that "the continued regulation and taxation by the several States of the business of insurance is in the public interest," and it further declares a moratorium on the application of the antitrust laws to the business of insurance until January 1, 1948. But section 2 (b) of this Act provides:

> "No Act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance, or which imposes a fee or tax upon such business, unless such Act specifically relates to the business of insurance: Provided, That after January 1, 1948, the Act of July 2, 1890, as amended, known as the Sherman Act, and the Act of October 15, 1914, as amended, known as the Clayton Act, and the Act of September 26, 1914, known as the Federal Trade Commission Act, as amended, shall be applicable to the business of insurance to the extent that such business is not regulated by State law."

Thus, Congress declared that no Act of Congress shall be construed to invalidate State regulatory or tax laws unless it expressly relates to insurance, and that after January 1, 1948, the antitrust laws shall apply to the business of insurance to the extent that such business is not regulated by State law.

From the legislative history of Public Law 15 we may be sure that it is not an invitation to continue a system of private regimentation under the cloak of State protection. Nor is it a declaration that the States can establish islands of immunity from the antitrust laws for the furtherance of private group interests.

A narrow approach to the interpretation of the Public Law 15 will be self-destructive. Insurance companies are not thereby to be permitted to make contracts and agreements in restraint of trade, to monopolize or attempt to monopolize interstate commerce, or otherwise to engage in restrictive practices.

Opportunity to Improve State Laws

The States have an unparalleled opportunity to reexamine and reconstitute their regulatory laws. In cooperation with the industry they can provide for the orderly correction of abuses which have existed in the insurance business. Fairness, efficiency and the preservation of competitive opportunity should be the criteria. Failure in this endeavor will inevitably cause Congress to reconsider its adopted policy.

The States and the insurance business, therefore, are confronted with steering a course between the pull of two opposing principles. On the one hand, the complexities of the business and the difficulty of adequate State supervision are inducements to deceptively simple short cuts. This course would lead to inadequate regulatory laws which might well invite condemnation as constituting only attempts to circumvent the antitrust laws—to create islands of immunity. On the other hand, excessive State controls could strangle the opportunity for free enterprise in the business of insurance. These are the Scylla and Charybdis bounding the course of State regulation. Those who would safeguard the values of individual initiative and free enterprise must combat not only the trend toward regimentation but also the confusion of liberty with license. The latter leads to excesses which would encourage the very controls they seek to avoid.

Regulating Insurance Rates

Probably the most debated issue in the insurance business at the present time is the regulation of rates and rate-making. It is ar-

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1 75 U. S. 168 (1868).

2 231 U. S. 295 (1913).

3 United States v. South-Eastern Underwriters Ass'n., 322 U. S. 533 (1944).

4 15 U. S. C. §§1011-1015

5 66 Sup. Ct. 1160

6 66 Sup. Ct. 1141

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gued that rate-making by private agreement, illegal under the Sherman Act, is necessary. Proponents of this conclusion argue that the companies must be allowed to pool their experience to determine future loss probabilities; that competition in rates results in discrimination among purchasers of insurance; and that competition in rates will imperil the financial stability of the industry.

The need for combining the experience of all companies for rate-making purposes is reasonably clear. Insurance rates are founded upon the assumption that the future will, within reasonable limits, repeat the past. Accuracy of prediction, therefore requires the broadest possible record of past performance. The experience of one or even a few companies may be an inadequate guide. But we must not forget that other factors enter a rate in addition to what might be termed "pure cost" based upon past experience. Any final rate also includes administrative expense, acquisition cost and profit. These are not uniform for all companies. Any rate agreed upon by competitors must be so weighted as to protect the least efficient operator. Thus the necessity for using common experience in reaching an individual judgment on rates will not justify agreement upon the same final rate by all companies.

The need to make use of common experience or even to use a basic rate floor derived from such experience in reaching an indidepriving the public of the benefit of competition. I am sure that a plan for permitting the fullest use of common experience while preserving competition could be worked out within the framework of the Sherman Act.

With regard to discrimination, the Sherman Act does not prohibit each company from adopting a uniform rate for all its policyholders, any more than it prohibits a seller of commodities from establishing a uniform price for his products to all purchasers. Most of the States have long prohibited discrimination among purchasers of insurance similarly situated. And indeed, the Clayton Act, as amended by the Robinson-Patman Act, actually forbids price discrimination among customers in interstate commerce. So State laws enjoining discrimination are entirely consistent with the Federal laws. But the elimination of discrimination does not require agreement between insurance companies upon final rates. A variance in rates as between companies does not constitute discrimination. It is competition.

Competition in Rates

The argument that competition in rates would injure the financial stability of the companies overlooks the vast body of existing State regulation designed to guard against insolvency. It also overlooks the fact that underwriting judgment and executive management are more important to the preservation of financial stability than any agreement on rates. Fixed rates can never be a substitute for poor underwriting or incompetent management.

Moreover, an inflexible rate structure is clearly contrary to the intent of Congress. In reports on the bill which finally became the Public Law 15 these words appear:

"Nothing in this bill is to be so construed as indicating it to be the intent or desire of Congress to require or encourage the several States to enact legislation that would make it compulsory for any insurance company to become a member of rating bureaus or charge uniform rates."

And again:

"It is the opinion of Congress that competitive rates on a sound financial basis are in the public interest."

The extent to which the States shall regulate rate-making practces in the business of insurance is one for their own determination. By regulating effectively, they will prevent the application of the antitrust laws at the close of the moratorium period. To the extent that they do not regulate effectively, of course, the Sherman Act will and should apply.

I suggest only that private price-fixing among competitors is a potent and dangerous economic drug. It should never be freely dispensed by private groups without public responsibility. Even where it is administered by the Government, it needs the utmost scrutiny and safeguards. Otherwise it causes the deterioration and ultimate destruction of competition.

Where the States do act, it is incumbent upon them to regulate affirmatively in such a manner as to protect the public interest. Where Public Law 15 provides that the antitrust laws shall apply after January 1, 1948, to the business of insurance to the extent that it is not regulated by State law, I construe the word "regulated" as requiring State laws designed to guard against combinations among private groups which penalize competition, promote the concentration of economic power, or otherwise restrain trade and commerce in insurance. Where combined activity is authorized by State law, adequate safeguards must be provided to guarantee that the authority is not misused to the public detriment. The widest possible area of competition should be preserved.

It is one of the virtues of a system of free enterprise that flexibility is possible. The achievement of democratic solutions to complex economic problems imposes a graat responsibility upon both Government and industry. Means must be found to promote both efficiency and opportunity. If free enterprise is to work, as we know it can, our efforts must be directed toward the removal of all unnecessary restraints, either by private groups or by Government.

The history of American progress is a story of struggle for greater freedom within the framework of law. Lawyers have an important role to play in forging the policies that will determine the course of our economy. Lawyers of today guide and counsel business. They help steer the course of Government. They are in a unique position by training to assume leadership of public opinion. As lawyers we have a grave responsibility to lead in creating and maintaining conditions that strengthen free institutions. We must retain a firm grasp upon the methods and objectives which are necessary to the successful functioning of a free society in the modern world. We must maintain a clear view of the basic philosophy which underlies the American economy. With such enlightened leadership there should be no problem too great for a democratic solution.

Inflationary Pressures

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labor force is reabsorbed in non-war areas before it is possible to increase the supply of consumer goods, income will be generated more rapidly than its counterpart in goods, thus setting into motion inflationary forces. The greater the time period required to bring purchasable goods into the market, the greater will be the pressure on prices since demand will exceed supply. To the extent that part of current production is diverted to war-stricken areas for relief purposes, the problem is accentuated.

In an expanding economy, reconversion problems are further complicated by the fact that the labor force during the war years will have experienced not only a normal increase, but is likely to remain at even higher levels at the end of the war due to the reluctant withdrawal of people temporarily drawn into the labor market under war pressure.

Secondly, suppose that we had entered the war, as we did, with considerable unemployment. The unemployed, both manpower and other resources, would find employment in the expanding war economy. With a given income flow, and assuming that government expenditures are financed entirely by taxation and true borrowing, deflationary forces will be created. This is true because output has been increased by utilization of previously unemployed manpower and resources, while the income flow has not been increased. In other words, no new money has been created, and it is unlikely that income velocity will increase since consumers will find their incomes reduced through taxation or bond purchases.

Such war financing, however, is unrealistic since it would be impossible to attract critical labor and resources to war industries without the incentive of higher returns, unless, of course, compulsory measures were taken. Therefore it is necessary, and also desirable, for the government to create sufficient credit to employ unused men and resources. If the addition to the income flow were just sufficient to employ unused resources, no inflationary forces would result during the war. Even under this type of financing, however, the economy will be confronted by tremendous short-run inflationary forces at the end of the war. In actual practice, however, it is usually necessary to create additional credit in order to attract men and resources to wartime production, as will be indicated later.

What is going to happen, at the end of the war, to this enlarged labor force built up during the war? Some economists predicted a period of widespread unemployment and inflation within several months after the end of hostilities. Actually, this did not happen, since the demand for goods of all kinds has exceeded supply. The expanded labor force continued to be largely employed, with income continuing to be produced at about the wartime rate. Normally, the productive facilities to supply the goods demanded, because of increased incomes due to greater employment, would be built up gradually as employment increased. However, the productive facilities built up during the war were for military purposes, and it is impossible to convert many of them to peacetime uses. Moreover, the pattern of productive facilities will not be the same as that required for the production of goods according to consumer preferences. Therefore, income is being produced at the present time which consumers cannot spend in accordance with their normal preferences, since it is necessary to increase productive facilities and to change their pattern. A period of time will be required to make this adjustment and during this time interval inflationary pressures will exist. Therefore it can easily be seen that even without the creation of surplus credit in the course of the war, the economy will be, and is, confronted by powerful short-run inflationary forces.

Wartime Credit Expansion

During the past war, as in most wars, credit was created in excess of that required to fully employ manpower and resources. Full employment was, for all practical purposes, achieved early in 1943. However, the government continued to finance the war by the sale of large quantities of securities to banks. Under these conditions it is inevitable that purchasing power is generated in excess of current goods and services. In the past this has generally led to wartime inflation, but in the last war practically every major country controlled prices through governmental regulation. As a result violent inflation has been avoided in the United States up to the present time, but a volatile situation has been built up in which there is a large amount of liquid purchasing power hanging over the market.

For example, demand deposits, adjusted by governmental and interbank deposits, as reported by the Board of Governors, were $34.9 billion at the end of 1940, and by the end of May 1946 had increased to $78.5 billion, or an increase of $43.6 billion. Time deposits over this same period increased from $27.7 billion to $51.1 billion, and currency outside banks from $7.3 billion to $26.4 billion. In addition, at the end of May the U. S. government also had deposits of $17.4 billion compared with the modest amount of $753 million at the end of 1940. These have since been reduced to $8.9 billion as of Sept. 19 as a result of debt retirement. In other words, between the end of 1940 and May 1946 bank deposits and currency had increased by over $102 billion.

Professor Harley L. Lutz in the August 1946 issue of "The Tax Review" points out that this increase is a measure of the increase of purchasing power in its most liquid form. This is true, but the inflationary pressure from liquid funds is not as great as the increase would indicate. As national income has increased, the amount of demand deposits which individuals and business men held in the banks has increased. Haskell P. Wald, in an article in the May 1946 issue of the "Survey of Current Business," entitled "The Expanded Money Supply and Economic Activity," has shown that there was a definite relationship between the money supply and the gross national product by plotting figures from 1909 to 1940 and working out a relationship between the two series with the interest rate and time held constant. In the prewar years the two series show a strong tendency to move together. However, beginning in 1939, this past relationship is no longer existant. The divergence becomes especially marked in 1943 and following years when excess credit was being created. Wald's equation, expressing this relationship, would indicate that in 1946 the total money supply should have been about $45 billion if the relation which existed from 1909 to 1940 had been maintained. However, the actual money supply, that is, demand deposits adjusted plus currency outside the banks, was $94 billion. Therefore, the indication is that there is about $50 billion in excess money supply at the present time.

There is also some relationship between time deposits and national income, but a definite trend is not discernable. At the beginning of World War I the volume of time deposits was below that of demand deposits, but during the '20s the former rose beyond the latter. This was due to the policy of the Federal Reserve System which required lower reserves for time deposits than for demand deposits. After the start of the war in Europe in 1939 demand deposits increased rapidly whereas time deposits did not increase very rapidly until early in 1943. Since that time they have gone up as steeply as demand deposits, reflecting the creation of surplus credit. The increase of $23 billion in time deposits since the end of 1940 represents an increase in liquid assets and, therefore, a threat of inflation.

Inflationary Threat of Bondholdings

The amount of liquid assets hanging over the market because of war finance is a serious enough monetary problem, but there is an additional serious potential threat of inflation in the large volume of government bonds held by private individuals. Since many of these bonds can be cashed at will, it is possible for individuals to turn them into the banks and receive cash for immediate expenditure. If the money so received came from current savings of other individuals there would be no inflationary threat, but if the banks turn the bonds over to the Federal Reserve Banks, as they must do if large quantities are presented for redemption, the result will be definitely inflationary.

Wage Policy As Inflationary Threat

In the reconversion period, in which the transition from controlled prices to free prices would have been difficult enough at best, another inflationary force was created through the wage policy of the present Administration. Former Secretary of Commerce Wallace, in his writings and speeches, urged that when the work week was cut from 52 hours to 40 hours the take-home pay remain the same. This would have necessitated a 30% increase in wages, which was made the basis for wage demands by the labor unions. The contention of Secretary Wallace was that our economy operated at full capacity during the war with this additional 30% of income, but that the government took a large amount of the goods off the market to meet war demands. He felt that it was necessary, if labor were to be as fully employed in peacetime as it had been during the war, that total wage payments remain at their wartime level and he therefore advocated a policy of wage increases.

This policy would have been workable only if it had been possible to reduce profits or to increase efficiency immediately to such an extent that a 30% increase in wages could have been paid without an increase in prices. To have expected such an increase in efficiency in a reconversion period is certainly to expect the improbable. To argue that an increase of 30, or even the 18% finally agreed to as the wage policy of the Administration, could come out of profits is ridiculous. Salaries and wage payments in 1945 amounted to $110.2 billion. Even if profits, which were $9.0 billion, had been eliminated completely this would have made it possible to grant not more than an 8% wage increase. What actually happened was that each laborer received more money without producing more goods, and as a result higher costs were passed on to the consumer in the form of higher prices.

The fallacy of Wallace's argument in favor of a 30% wage in-

crease is that it fails to take into consideration the basic fact in our economy that production generates its own demand. When our economy is balanced all production will automatically create a sufficient amount of purchasing power with which to buy the goods. Therefore, when war production shifted to increased peacetime production the purchasing power to take that production off the market was generated in the very act of producing the goods. Any attempt to add 18%, to say nothing of the proposed 30%, to the wages of each individual who was employed in peacetime production could only lead to additional purchasing power which would not be matched by goods, and thus increase the threat of inflation without solving the basic wage problem.

A Proper Economic Policy

What then should the proper economic policy be? There have been several suggestions, only a few of which will be considered here. One proposed measure, stressed primarily by the National Association of Manufacturers, is to remove restrictions so as to increase output. Such a policy alone would do little to erase the threat of inflation from our economy. If output is increased an equivalent amount of income is generated to purchase the additional goods. The excess liquid funds would still remain as an inflationary threat.

Professor Lutz has suggested that the only effective method of combating the inflation is to increase output at lower unit costs. It is true that increased output at lower unit costs would be more effective than merely an increase in output at current costs. However, it is questionable that unit costs can be lowered sufficiently to absorb the accumulated excess purchasing power. It seems that the merit in any suggestion of increased production lies in the fact that the excess funds can be spread over a much larger volume of output, thereby mitigating whatever price rise may occur through spending of excess purchasing power.

A third method, and one which seems to have been too long delayed, is to retire the government debt by means of taxation. As mentioned earlier, no long-run inflationary problem would exist today if the war had been financed through taxation or borrowing from current income. Since the excess purchasing power has been created and injected into the economy by deficit financing, it seems that the same purchasing power can be withdrawn by the reverse policy of debt retirement. Professor Lutz has given this matter some consideration, but he objects to this plan because of the difficulties involved in taxation. Such problems as what incomes to tax, which incomes to tax at higher levels, etc., are no greater than the difficulties involved in attaining greater production at substantially lower unit costs.

Policy of Debt Reduction

Despite the difficulties inherent in taxation it seems that some definite advantages can be obtained by pursuing a vigorous policy of public debt reduction. To the extent that it is possible, government expenditures should be cut to the lowest practical levels. Our mistake during the war was lack of greater reliance upon taxation as a supply of funds for war purposes. Our mistake immediately following the war was to reduce taxes, thus continuing a policy of deficit financing when any conceivable need for it was over. During the present period of relatively full employment and record peacetime income it seems that a government surplus could be easily maintained. If this is not done our economy will not only be confronted with a large volume of unused funds that feed inflationary fires, but will also be embarrassed, psychologically and otherwise, by a large government debt. This may make any necessary future use of deficit financing, say during a postwar depression, difficult.

The removal of the excess profits tax was thoroughly justified. An economic system will not produce goods and services unless profits are sufficient to attract resources to the various areas of economic activity. But the decrease in income taxes certainly was not wholly justified. The decrease in income taxes, which has already increased spendable income, has anomalously led to even greater increases in money wages, and the end is not in sight yet since prices go up as fast as wages.

Finally, it is clearly apparent that an intelligent wage policy can go a long way toward solving our present monetary problems. Wage increases that are not a result of increased productivity merely increase costs which, in turn, lead to further price rises. Rising prices, in turn, push up the cost of living, which makes it necessary for wage earners to exert pressure for additional wage increases in order to maintain their economic status. That wages should ordinarily be increased as the cost of living increases is undeniable, but if wages are increased at the present time as the cost of living increases, prices are pushed up and the cost of living soars still higher, indicating that money wages exceed real wages.

Labor as a group received substantial increases in real wages during the war period. In 1940, 47.0 million men were employed and received salaries and wages of $49.7 billion. By 1945, employment had increased to 63.2 million, including the armed forces, while salaries and wages paid to civilians in the United States rose to $110.2 billion. During the same period the Bureau of Labor Statistics consumer price index (1939 =100) went up from 100.2 to 128.4. While employment rose by 34.5%, real salaries and wages increased by 73%, indicating that labor as a group received substantial real wage increases during the war.

The improvement in labor's real position was practically maintained after the end of the war. By June 1946 employment, including the armed forces, totaled 59.7 million and is still increasing. Salaries and wages paid during the first half of the year will probably be less than those paid during the second half, if major interruptions of production can be avoided. Based upon the experience of the first half of the year, salaries and wages should be at least $101 billion, but current figures indicate that income is at present up to the wartime rate. The consumer's price index in June 1946 was 133.3, so that even at the low figure of $101 billion, real wages will be at least $75.6 billion. Real income per wage earner in 1940 was $1,055. In 1945 it had increased to $1,358, and indications are that in 1946 it will be at least $1,266, and possibly higher, according to the current income rate.

Real Problems

The real problem is excess funds; and the only way to remove these excess funds is, first, to increase output without increasing costs, and, second, to retire as much of the government debt as can be accomplished without prejudicing production by heavy tax burdens.

Most of the advocates of increased production, such as the National Association of Manufacturers, and of increased output at lower unit costs, such as Professor Lutz, have concluded that the OPA serves no useful function at the present time. Advocates of debt retirement as one of the major methods of combating inflation, such as H. Wald in the article referred to before, believe that the OPA can serve a useful function. They hold that at such time when sufficient funds have been taken out of the market and production has been increased, our economy can operate at prewar price levels. Since the total volume of liquid assets at the present time is in excess of $100 billion, and since there is at least $50 billion more in the way of demand deposits and currency in circulation than would be indicated by current national income, it follows that large sums of money relative to the national income exist as an inflationary threat. It is impossible to get rid of such large sums either through retirement of the public debt or producing goods at a lower unit cost in a short space of time, and inflation is primarily a short-range problem. The Office of Price Administration can still serve a useful function, even though in the end price levels will have to move to somewhat higher ground if we are to have economic stability. If prices can be controlled in critical fields until production in those fields has reached a reasonable level in relation to the postwar demand of a fully employed economy, the inflationary pressure caused by the large volume of liquid funds will be spread over a larger number of units and hence will not lead to runaway prices, but will only lead to a price level adjusted to the increase in money in circulation. Then, through debt retirements and through increases in efficiency, it will be possible either to grant increased wages or to cut prices, and in this way increase real wages.

If the policy of debt retirement is to be completely effective as a means of combating inflation it is necessary that the Board of Governors of the Federal Reserve System be given additional control over reserves. When taxation is used to retire the public debt held by the banking system, funds are taken out of private deposit accounts and shifted to the reserve exempt account of the government. These government funds are then used to retire the public debt. The result is a decrease in liquid funds as well as a decrease in government debt. However, since deposits of individuals have been reduced, the amount of required reserves will have been cut and it may be possible for the banks to use these excess reserves to expand credit to business and in this way nullify the salutary effects of debt retirement. To prevent them from thus expanding credit, it is necessary to give the Board of Governors the power to increase reserves to a higher level than at present since reserves are in most cases at the maximum level.

Conclusions

If these measures are to succeed in bringing about monetary balance in our economy in the postwar period it is also necessary that labor agree to a wage policy which can be successfully followed without leading to a wage-price spiral. As has been pointed out, even though it may be necessary during a war to reduce the real income of individuals, it is hardly necessary to reduce the real income of any group below its prewar level in a postwar period in which output of civilian goods can again go on unhampered. However, many workers have received a substantial increase in real wages since 1941 and are attempting to hold this increase and if possible to extend it by some 18%, although they believe 30% to be the ideal. This is impossible until the per capita output of goods and services is sufficient to grant an increase in real wages. Up to that time the only effect of increasing wages can be to increase costs and so add to the wage-price spiral. If inflation is to be avoided, not only is it necessary to do all that can be done through retiring the public debt and through increasing output without increasing costs, but labor must also realize that it cannot receive increases in real wages and still spend the wartime accumulation of liquid assets unless productive efficiency has been increased sufficiently so that the goods and services can be taken off the market at no increase in prices.

Important Economic Agreements

(Continued from page 2341)

on. It is hoped that by following this policy of give and take, Anglo-French trade can be considerably developed. Meetings between French and British officials are to take place every three months in order to straighten out difficulties and keep the position under review.

Commercial Relations With Argentina

British commercial relations with Argentina, regulated by a succession of treaties running back to 1825, will be reviewed before the end of this year. The agreement signed recently has created the right atmosphere for a friendly settlement of all outstanding problems. Most of the important questions in fact have been dealt with. Britain will buy about four-fifths of Argentina's exportable meat surplus; the bulk of Argentine sterling holdings is to be maintained in sterling for the next four years at ½% interest; Britain will allow convertibility of certain amounts at once—and others during each of the next four years—for free use anywhere; Argentina transfers part of her sterling holdings to Brazil, and the question of British-owned railways in Argentina has been settled on a basis of guaranteed minimum revenue and the provision of fresh funds by the Argentine Government.

Payments for future Argentine and British deliveries will be made in freely convertible currency, on the lines promised in the Washington Loan Agreement. Argentina needs chemicals, machines, railway rolling stock and other equipment. There is no reason why she should not buy her overseas requirements from Britain who helped to develop Argentina's natural resources and has always been one of her best customers. It would not be impossible for Argentina to increase her purchases in Britain to an extent sufficient not only to pay for future exports to Britain but also for the gradual amortization of the $400 million which is to be left in London for the next four years.

British current debt to Brazil, said to amount to $160 million, will run to $200 million after the transfer of $40 million from the settlement with Argentina; but she is not pressing for immediate repayment. Brazil is anxious to purchase in Britain agricultural machinery, motor vehicles, railway equipment, etc., and Britain to buy from Brazil rice, maize, beans, coffee, meat, oranges, nuts, mate (Brazilian tea), hides and timber. There is a great future for Anglo-Brazilian trade, as the Brazilian Foreign Minister said before leaving Paris for London to sign the preliminary agreement.

Settlement of Critical Problem

These three agreements made between Britain and France, Argentina and Brazil, respectively, are financial agreements. They have settled the immediate question of the bulk of the non-sterling "blocked balances," which was Britain's most critical postwar problem in the international economic field.

In addition, a start has been made towards the lessening of restrictions on the trade between these countries and Britain. Trade negotiations are also taking place, or are about to take place, between Britain and Denmark and China. In all these five instances regard is being had to the discussions in London between 18 nations, preparatory to the setting-up of an international trade organization. This organization is intended to set up a code of commercial conduct to regulate the behavior of nations in their dealings with one another and it is clear that Britain in particular, while arranging to settle the question of outstanding money balances, is making no attempt to conclude one-sided trade pacts to the detriment of the rest of the world.

Industry Comm. to Aid State Insurance Dept.

Superintendent of Insurance Robert E. Dineen announced on Oct. 28 the appointment of an Industry Committee to advise with the Department on the promulgation of reasonable rules for compliance of agents and brokers with Section 125 of the New York Insurance Law. This is the "commingling" section, which was recently the subject of a hearing by the Department. The date of the first meeting for the Committee, the membership of which follows, will be announced shortly:

Chase M. Smith, American Mutual Alliance; A. J. Smith, Ass'n of Local Agents of the City of New York; Mortimer L. Nathanson, President, Brokers' Associations Joint Council; Alex Goldberger, Brooklyn Brokers Association; Albert L. Menard, Brooklyn Fire Agents Association; Charles Stulz, Central Bureau, New York First Insurance Exchange; John G. Derby, Eastern Underwriters Association; E. A. Williams, Insurance Executives Association; J. W. Rose, New York State Association of Local Agents, Inc.; George H. Ort, The Insurance Brokers Association; Corey G. Hunter, Secretary, The Mutual Insurance Agents Association of New York, Inc.

Cohen Leaves SEC

Director of Public Utilities Division resigns. Will practice law.

Milton H. Cohen, Director of the Public Utilities Division of the Securities and Exchange Commission has resigned his position effective Dec. 31, the Securities and Exchange Commission announced Oct. 31. Mr. Cohen said he intends to practice law, but as yet has made no definite connection.

In accepting the resignation, James J. Caffrey, Chairman of the SEC, wrote Mr. Cohen:

"We all join in appreciation of the superlative abilities you have brought to the commission's work throughout the past 11 years."

Mr. Cohen, who graduated from the law school of Harvard University, joined the SEC as a junior attorney in August, 1934, and has been Director of the Public Utilities Division since March, 1943.

Correction

In the "Financial Chronicle" of Oct. 24, in reporting the formation of Bramhall, Barbour & Co., it was indicated that Phillips T. Barbour would be a principal of the firm. Phillips T. Barbour is vice-president of the First Boston Corporation, 100 Broadway, New York City, and will continue with that firm.

The Uncertain Tomorrow

(Continued from first page)

ferently. I won't admit they are quite as competent, of course. But it is perfectly natural that two equally competent people can look at exactly the same set of circumstances and arrive at different conclusions.

This matter of seeing the same thing differently reminds me of once, when I was a kid in the north end of Indiana, I went to a W.C.T.U. meeting one evening. They had quite a spirited speaker. She had given a long talk on the evils of whiskey. At the end, she thought she would perform a visual demonstration. She said, "In this hand I have a glass of pure water. In the other hand I have a glass of pure whiskey. Watch me carefully." She picked up a fish worm and dropped it into the glass of water. The worm swam around and seemed to be perfectly at home in that environment. Then she picked up another worm and dropped it into the glass of whiskey. The worm quickly curled up its tail and died. She turned to the audience and said, "What does that prove?"

An old fellow, who was sitting way in the back of the room, got up and said, "Madam, that just proves if you are bothered with worms you ought to keep a little whiskey in your stomach."

So I say it is perfectly easy for two people to look at the same thing and arrive at different conclusions, and honestly so. And that is true of the current situation of course.

I am going to be a little more definite than I would like to be because if some of the things I forecast don't transpire, and I am sure some won't, it will be easy for you to come back and say, "Well, Butz, you said this on Oct. 1st, but it is not right." Nevertheless, I am going to be that definite, anyway.

There are three things I am going to discuss here. The first is the current position of our price structure. The second is probable economic and social developments affecting agriculture. And the third is what to do about it.

Current Position of Our Price Structure

Coming back to the first part—and I will cover it very briefly because most of you are familiar with what has happened—prices always rise during a major war. The U. S. wholesale price level has gone up about 60% since 1939. Part of that jump has been, of course, since OPA went off. Prices received by U. S. farmers are up 166%. They have more than doubled, you see. Prices paid by farmers are up 63%, which leaves a fairly wide profit margin, with prices received up 166% and prices paid up 63%. The U. S. cash farm income is up 160% and the U. S. net farm income is about 150%.

Farm real estate prices in the United States are up about three-fourths and in some states more than that. In Indiana they have about doubled. In some states they have gone up even more than that.

I want to call attention to a couple of charts that sumarize what I have been saying. The first chart (Fig 1), is the wholesale price level in the United States, starting with 1800 and going through 1946. The important thing I want you to see is what happens in wartime. During the war of 1812, prices went up sharply and came down over a long period of years.

During the war between the states prices went up sharply and came down again over a long period of years, until we reached 1893, which produced William Jennings Bryan and his "Cross of Gold" speech—the country was washed up and ruined. But it recovered.

Then we had World War I. Prices went up sharply, reaching a high after the war. They declined in 1920 to a level about 50% above prewar. They leveled off during the 1920's, which our Republican friends called the "Era of Coolidge Prosperity," then we came to the depression, which the Democrats called the "Hoover depression." That was a good name for it, for it got Mr. Hoover out of the White House. Then came the recovery in 1933 which the Democrats called the "Roosevelt recovery." As a matter of fact, neither Coolidge, nor Hoover, nor Roosevelt had much to do with it. They just happened to be President, but it is good politics to attach your name to good times and your opponent's name to the bad. If I had been President since '33, I would have called the last 12 years the "Butz recovery." It might have been good for four terms.

Any way, here we are at the end of another war. Prices went up during the war and then reached a level about half way up when they were bumping price ceilings pretty hard. During the last three or four months they have jumped up to about 190 now, as compared with 220 in World War I. (1910-14=100.)

That increase of the last three months is more statistical than real, because part of the increase since we have buried OPA—and OPA is buried excepting just a couple of shovelfuls of dirt to be tossed in the grave yet—a part of the increase is statistical, in that we simply made official the prices that did unofficially exist before. I think that is an important point to recognize. Of course, some of the OPA boys wept crocodile tears because of the increase that came in prices when OPA wasn't renewed in July, but if you think the ceiling price for T-bone steaks in June was the regular price, you are just kidding yourself. I don't think any of us here are that naive.

The second chart (Fig. 2). shows Indiana farm prices. The farm prices in any state would follow a similar pattern in both war periods. The solid line shows World War I prices from 1914 to 1921. You will see prices reached a high from 1919 to 1920, after the war. The dotted line shows what has happened to prices during and after this war. They follow a pattern similar to World War I until two or three months ago when we took the ceilings off. Again prices jumped up—partly due to making black market prices official and partly due to removal of subsidies and a compensating increase in market price. Remember, to compare the two war periods, you ought to move the dotted line to the left two or three years because the last war lasted two or three years longer than the first war.

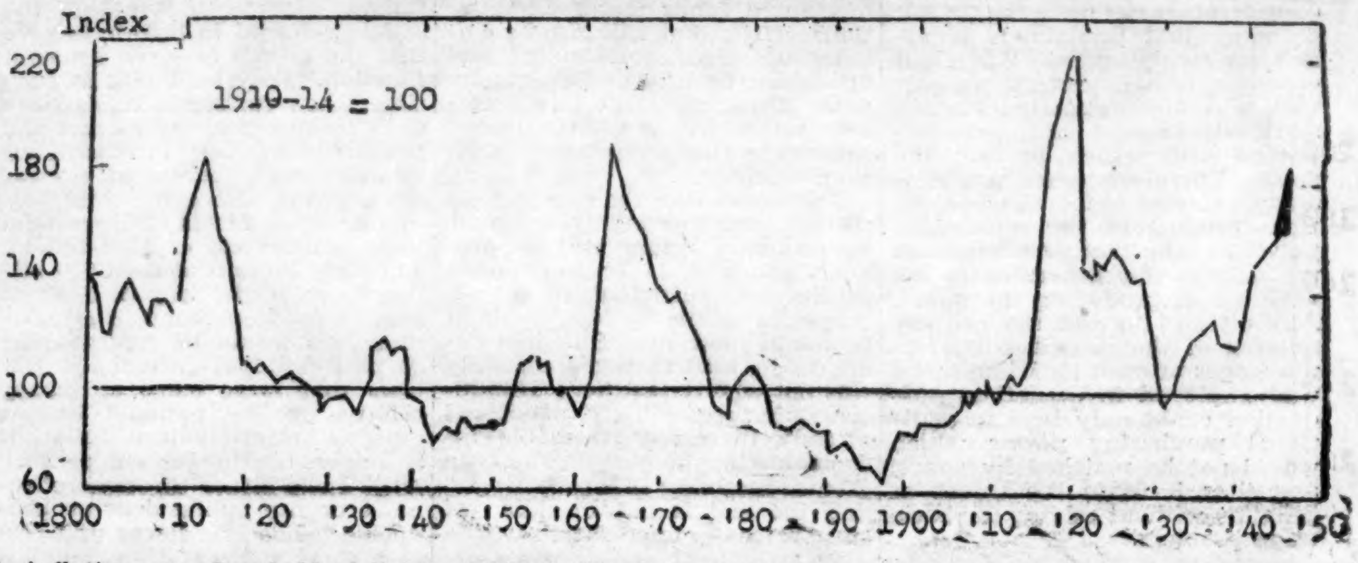
On the same chart is real estate values. They have been rising at about the same rate, but from a lower level, which I think it is important to remember. When we talk about real estate prices having doubled, we want to remember they started from an abnormally low level at the start of the last war. I think that is an important point to remember. Prices have increased from 75% to double during the war. They are reaching, I think, a point that will be their peak sometime this winter or next summer, but I don't regard it as abnormally as high as it was following the last war.

Inflationary Forces

Strong inflationary forces continue to underlie our economy. I will summarize those forces very briefly.

We have a Federal debt in the neighborhood of $270 billion, which, from the way it is financed,

Fig. 1. U.S. Wholesale Commodity Prices, 1800-1946
Source: U. S. Bureau of Labor Statistics



is inflationary. One-half of it is financed through the commercial banks. We have continued government deficit financing in spite of the statements of John Snyder and others. I doubt seriously if they will be able to balance the budget because of the very effective inroads that will be made by various pressure groups on the Treasury in the year ahead. Liquid savings of individuals in the country total about $180 billion. While they may not be well distributed, it is true about half of them are in the hands of families whose annual incomes are between $1,000 and $4,000. In the main, that group of people spend their money; they don't save. This means we have that backlog of purchasing power, represented by war-time accumulations of savings, as a bouyant price force under the economy. One reason you can't buy goods today is that so many people have so much money with which they are trying to buy before you and I get down to the store.

Other inflationary forces include impending high expenditures by local, state, and city governments. And then we have the strongly organized pressure groups, which are inflationary.

Lastly, it is my opinion that the OPA is a dead duck. Although it is getting into the headlines quite frequently, the OPA, as we all recognize, is entirely political. There is nothing economic about it in its present status. When the Congress was arguing whether to renew OPA last June and again in July, the discussion was entirely political. It seems to me from a political point of view, between now and the first Tuesday after the first Monday in November, it will be extremely important to get some meat back on the counters again even though they have to get it in at double the price. Being realistic about it, I would say that we are going to see a rather rapid and progressive deterioration of the OPA in the weeks immediately ahead of us. I simply can't see any other political answer to it than that. That I put on the inflationary side of the present situation.

There are some deflationary forces, of course. Foremost among these is the rising tide of production—and production is picking up. Our industrial production in the United States today is about 170% of prewar. It is not as high as it was during the war but it is about 70% above prewar. We are turning out a lot of goods. The chief reason you and I can't buy them is that every time a merchant opens a box of, let us say, electric toasters, they don't get to the shelf because out in front of the counter are twelve people who want the six toasters in the box. That is true of a lot of goods, white shirts or anything you want. The other day, I went in to a merchant in Lafayette to get a suit of clothes. After I had the suit fitted, he said, "Would you like some white shirts?"

I said, "Sure I would like to have some, Ed."

He went back of the stair steps, and pulled out a couple of white Arrow shirts. They weren't on the shelves, you see. We are producing a lot of material but the demand is simply tremendous.

Probable Economic and Social Developments Affecting Agriculture

Now, let us summarize briefly, probable economic and social developments.

The prospect is for rising prices through the remainder of '46 and into '47. I am talking now about the general price level. Although the prices of some commodities may not rise, we are going to have, on the average, rising prices yet.

It seems to me that a price drop will occur when production begins to catch up with demand. There will then be some unemployment. Prices will probably fall to 1944 levels. The level is a good way above prewar—a point I want you to get. This will be the most critical period in the determination of our national policy. I base that prediction on something like this. As prices continue to increase, that is an added spur to increase production. Even though costs are up, if prices are increasing you can usually sell your product on a little higher market than it cost you to make it. Hence, production keeps on increasing. All you have to do to measure the tremendous demand for labor we have now is to pick up the newspaper and see the desperate ads for help wanted.

But as prices keep on going up, more and more of us keep dropping out of the effective market, don't we? You only have to add a couple of hundred dollars more to the price of a new Chevrolet car to take some of the fun out of having a new car. You will say, "Cancel that order, Joe. I believe I will ride in the old one until the price comes down a little." So production keeps picking up and demand keeps coming down a little bit as people drop out, you see, until after a while the two become equal and you begin to get inventory accumulation.

I think that is the thing you want to watch carefully in the eight months or twelve months ahead. Just as soon as we begin to get excessive inventory accumulations, we begin to reach the point I have suggested here, which may bring on a price drop. I don't think this price drop will be serious. The quicker it comes, the less serious it will be. The less rise we have in prices in the next six, eight, ten or twelve months, the less serious it will be when we run into the subsequent drop. If we should have anything approaching uncontrolled speculative inflation during the eight or ten months ahead, I think the drop that follows then will be more serious.

If we act intelligently when the price reaction occurs we'll get along pretty well—and by acting intelligently, I mean I hope we don't all run to the government with our hands outstretched and say, "Give me a price guarantee." Perhaps the mortgage bankers didn't do that. We in agriculture have certainly done it, especially the last ten years. If we have the intestinal fortitude to stand on our hind legs, and if the leaders of our pressure groups realize they can get through that period with their heads up and their shoulders erect without becoming wards of the government, then I am hopeful for the future.

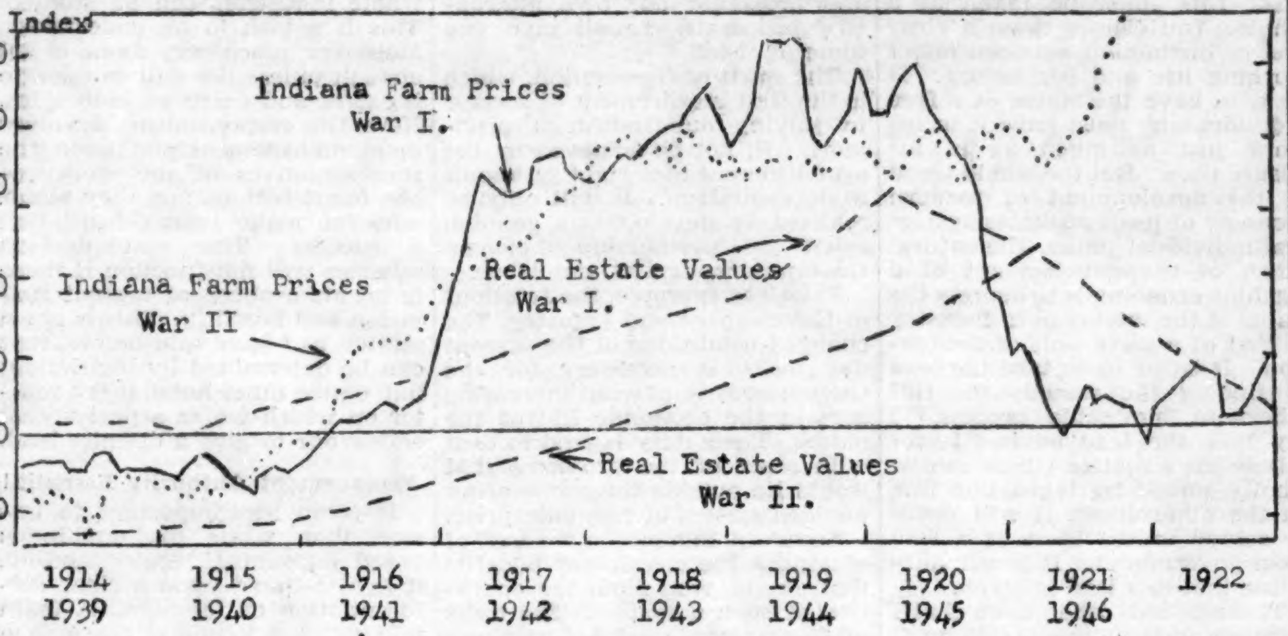
The price level should remain relatively high, about 1945 levels, for at least a decade. I base that forecast on two or three things. We will be in a period of what many economists call the "catching up" economy — catching up with the unsatisfied demands we have in the country for houses, machinery, equipment, automobiles, washing machines, refrigerators, bath tubs, and a long, long list. With the economy working at full speed, it is going to take ten years to catch up with this accumulated demand. This means full employment.

Now, I don't know what full employment in this country will involve. The "late Mr. Wallace" has talked about 60 million jobs. I don't think there are 60 million Americans who want to work. Whatever the figure is, it means relatively full employment for anybody who wants work at good wages. We in agriculture, I hope, have learned an important lesson. That is that full employment at satisfactory wages in Cleveland, Cincinnati, Indianapolis, Chicago, Louisville, St. Louis—the cities where the people consume the products of our farms—means a good farm market. If they are working at good wages, we simply can't produce enough of the kind of food they want to eat at good prices. That has been our experience during the war, and I think will continue to be our experience.

Regional Prospects

There is wide variation in outlook among regions. If real national economic prosperity develops, regions producing farm products with elastic demand will fare well. And by elastic demand I mean farm products of such character that people want more of them if they have plenty of money. That is the kind of stuff we produce in the corn belt—meats, poultry and eggs and dairy products. The wheat belt, the great plains areas, may have trouble in a couple of years. If I were a farmer in the great plains areas I would expect a good year in 1947 because I think we will continue our relief shipments of wheat in 1947. But by 1948 I would begin to look for some kind of diversification, which is not easy in many parts of the great plains areas. Our wheat producing plant is over-expanded in relation to our capacity to consume wheat, unless we can get wheat prices

Fig. 2. Indiana Farm Commodity Prices and Land Values During World Wars I and II
Source: Indiana Farm Prices—Ag. Ec. Department. 1935-39=100
Real Estate Values—"U. S. Farm Real Estate Situation." 1912-14=100



down to a level where it can be fed to livestock and converted into meat products. That means it will be competing with corn.

Likewise, if I were in the cotton section of the Southeast, I wouldn't face the future too optimistically. I certainly wouldn't depend upon cotton because I think, too, our cotton plant is over-expanded. We have permanently lost the world market through our 92½% of parity fiasco. We are rapidly encouraging the production of synthetic fibers. The high-cost cotton producing areas will have to make drastic adjustments in their agriculture. The low-cost areas will be all right.

Outside of the foregoing exceptions, I am fairly optimistic about the long haul ahead in agriculture.

Net farm income will probably decline some from the war level, beginning in 1947. I expect 1946 will be the high net farm income year on American farms. Prior to this year, 1943 or 1944 was the high income year. This year, because of abundant production and rising prices and inventory values, will be our high net farm income year. Farm income will go down some next year, partly because of rising costs, and partly because of lower prices by late next year. If we happen to have another good grain crop next year, I would expect grain prices to break sometime late next year.

I would expect farm income in the corn belt to level off somewhere above prewar on well-operated farms, not as high as the last three or four years, but perhaps 1¼ to 1½ times the prewar level. It has been about 2½ times the prewar level during the last few years.

Farm real estate prices will move up through 1946, and into 1947, with more buyers assuming debts in excess of their probable long-time repayment ability. If farm income moves up, we must expect real estate prices to follow. They always have. It is my opinion that farm prices will reach their peak sometime during the coming winter or spring season.

The real estate market has been rather slow in the last few months. That is characteristic at this time of the year. I understand there are increasing signs of activity again. I would expect the price to increase through this winter and into next spring. The market will be rather spotty. The price in some areas will increase more than in others.

If net farm income begins to decline in the next year, farm land also will decline, but not as rapidly nor as drastically as following 1920, for two or three very good reasons. In the first place, we don't have the level of excessive farm indebtedness now that agriculture had in 1920. Our mortgage debt is less than half the peak it reached following World War I. That means fewer distressed sales of farms, which, of course, caused demoralization in the real estate market following World War I.

The second reason why price declines will be less serious is that we are permanently committed to a higher price level following this war. Just as a matter of political consideration, it will be necessary to have a high price level simply to service the tremendous budget we are going to have to take care of the veterans and interest on the debt and so on, during the rest of your lives and mine. The "normal" postwar Federal budget has been estimated at $25 billion a year. That is 2½ times what Mr. Roosevelt could spend at his best before we got into the war. That means we have to have a high price level. If we don't, it is political suicide—and our politicians don't easily commit suicide in this country. So I say we are going to have a permanently higher price level. That means that real estate prices will not decline to their prewar depression level.

The third factor favoring high land values is cheap interest rates which, as I understand capitalization methods, must inevitably mean higher capitalized values. So, even though I stand here and say that real estate prices may turn down next summer or fall from the peak they will probably reach this coming winter, the decline will not be serious or drastic. If I had a farm that I wanted to keep and wanted to stay in the agricultural business, nobody could tempt to dispose of it at what will appear to be peak prices this winter.

Farm transfers will be more frequent during the next ten years as younger owners take over. I think that is inevitable. The average age of farm owners is now high. We came through a long agricultural depression. Farmers didn't have money enough to retire and young farmers didn't have equity enough to buy. About the time they started getting money enough to make a down payment, we took them all off to war. They are back now. We have a tremendous job of transferring farm ownership into young hands. That means an increase in mortgage credit, for that is the way we finance the transfer of farms in this country. Oh, of course, you can marry a farm, but that is often more trouble than it is worth. I see an increase in the volume of farm mortgage credit in the days ahead, and I think it will be a healthy development.

Summary

To summarize what I have been saying, I believe that during the next decade or longer, although U. S. agriculture may appear disadvantageous relative to industry, farming will be profitable on well-organized, economic-sized units not burdened with excessive debt.

We have a habit in this country of lumping all farms together under a single index that we call the parity ratio. We have about six million farms in the United States. About three million of these are efficient producers, and the other three million are small, inefficient farms. When we lump them all together in a single index, we get a figure that represents neither group. It usually shows agriculture to be at a comparative disadvantage.

You can cover a multitude of evils with an average figure. One of my friends said a while back that as he understood the typical American's concept of the average it was something like this. If you had one foot frozen in a cake of ice and the other foot in an oven, on the average you would be comfortable. I think we misuse the word "average" like that a good deal. The point I want to make is that in your thinking and mine we should differentiate between the self-sufficient farm and what I call family commercial farms, the kind of farm that you and I grew up on, the kind of farm that has work enough for dad and his son or for dad and a hired man, the kind of farm that can efficiently use a corn picker and general purpose tractor and a combine. That kind of farm, if it doesn't go into the postwar period with high fixed charges, has a fair chance of maintaining satisfactory net profits.

The other kind of farmer will always be in economic trouble. The government will try to help them, and we will spend billions of dollars in the process. But in the main, we will only prolong their misery and postpone their ultimate adjustment. It will be just like a friend of mine who had a dog whose tail had to be cut off. He loved the dog and didn't want to hurt him so he cut off an inch at a time. I sometimes think we behave in a similar way with respect to the submarginal areas in our country. But we will continue to do so, because it is politically popular.

Corn belt farms will tend to become either "commercial" or "self-sufficient" in the decade ahead. In areas where mechanization has progressed so rapidly we are going to have increasing competitive pressure on the middle-sized farm—120-acre to 160-acre unit that formerly was a family-sized farm. That size farm is going to be under increasing competitive pressure because it is not large enough to take full advantage of modern mechanical equipment, nor is it really small enough to shrink back to the self-sufficient unit.

We will experience a combination of smaller units into 200-acre units or larger that will be what I call the family commercial farms. Interspersed among the larger farms will be the smaller self-sufficient farms. The smaller farms won't have a great deal of surplus net income from the farm, but the operator and perhaps his sons will be a source of seasonal labor for the larger farms when they are not working in nearby towns and cities.

From the standpoint of lending mortgage money, I think the commercial farm unit is going to be a good bet in the years ahead. Before making a loan on the other, you should "look it in the mouth" very closely. Many of those farmers are going to have financial trouble. As I look ahead clear across the corn belt, I think this trend is inevitable. I would pay close attention to it if I were making farm mortgages.

What To Do About It

Now, I am too young a man to stand here and tell you fellows who don't have as much hair as I have and whose hair isn't as black as mine, what to do about it. But I am a college professor! The best definition I ever heard of a college professor is that he is one who teaches others how to avoid the pitfalls of business which he avoided by becoming a college professor. So, in spite of my comparative youth, I am going to advance a few suggestions. These are just things to think about.

1. Keep your head. It is difficult to keep cool and think clearly in times like these. I am serious about that. It sounds so easy, but it is not easy to keep your head. We have come through difficult times. We have been subjected to a lot of propaganda. Various groups have been vying for our thinking. We are in a time of great social stresses and strains. We have tremendous economic and social adjustments to make. We are going to hear charges and counter-charges, accusations and counter-accusations, as this group and that group tries to influence our thinking. I appeal to you as representatives of the great middle class of Americans, the backbone of American democracy, the rational thinking class of American citizens, that if you and I don't somehow dig underneath and get the facts and think for ourselves, then democracy as we know it will be in a serious condition, and we might as well toss in the sponge. I think we do have a real challenge in the days ahead to think clearly and coolly.

2. Don't mistake the next year or two for a permanent "new level of economic activity." Is there anybody in the room who made that error in 1920? I see some representatives of companies that made that error in 1920. Is there anybody in the room who is going to make that error in 1948? I will answer that question with a yes. We couldn't get this number of red-blooded Americans together without having someone who will make that error in 1948. It will not be you, I hope. I hope it will not be me.

As prices continue to rise, the pressure to make that error is going to become increasingly irresistible. So I think we ought to be on guard, because we are approaching the time now when a man who makes an investment—and, of course, when you make an investment you go in debt; what you do is take the money you have to buy a debt—we are approaching the time when substandard debts are extremely unwise and can be disastrous. I think we are approaching a time that calls for real caution both in the management of our personal affairs and our company affairs.

3. We are approaching a time when we should stress efficiency. Let's become "cost-conscious" again. During the war the emphasis was on volume. The more volume you had, the more money you made. "Costs Be Damned" was the slogan in many places. Now we are coming to a time when costs are extremely important, because once costs get up, they stay up. And during the year ahead, costs, I think, will rise more rapidly than the prices you receive. 1947 is going to be an extremely good year to watch business closely to get your costs as low as possible so that when the competition of the post-inflation era becomes keen, you won't need to spend your money for red ink.

4. Operate at practical capacity in 1946 and 1947, consistent with efficiency. I wrote that for farmers. I think next year will be another year to farm at capacity. You must watch certain things of course, especially late in the year. I think I would advise farmers that 1947 prices, in the main, will be such that they should operate at capacity. We are not going to have enough to eat at satisfactory prices, in the main, in 1947.

5. Get out of debt on "inflation dollars." You may run me out of the room for saying that. I understand the general idea now is to keep farmers from paying off their debts. Yet I know that most lenders are genuinely interested in the welfare of farmers. They want farmers to become owner-operators. They are helping them to do it.

This is a spendid time for people to pay debts because they can pay them at 40c on the dollar. A farmer pays his debts not in dollars—that is the pocket change he uses—but he pays them in hogs, in cans of milk, in cases of eggs, in bushels of corn. If he contracted a debt four or five years ago, he can pay it off now at 40c on the dollar in terms of quantity of farm products required to pay it.

Likewise it is a good time for businesses to pay debts while their earning margins are high.

6. Maintain a strong financial position. Avoid needless risks or commitments. John D. Rockefeller, Sr., once advised young men to "keep strong on cash." I sometimes think the trouble with American individuals and American businesses is they don't ordinarily have enough cash. They are not liquid enough to operate the way they know they ought to operate rather than the way they have to operate.

America is liquid today. Individuals in America are liquid. I hope they stay that way. It will mean a sounder postwar America if we can avoid needless risks or commitments in the next year or so.

7. Don't confuse "inflation income" with efficient management. Keep your shirt on! This is a serious error that many people are making.

The other day I was talking with a farmer, who said, "I made $2,000 last year. I am doing a pretty good job of farming here." When I looked at his record book, I saw that his labor costs were high, his crop yields were low, his livestock efficiency was not

(Continued on page 2364)

Table I. Products Required to Meet Annual Payment on $15,000 Farm Loan at 4% for 20 Years, at Indiana Farm Prices

	200 lb. Hogs	1000 lb. Cattle	Cans Milk	Cases Eggs	Bu. Wheat	Bu. Corn
			Numbers Required			
1919	32	10	381	83	508	732
1922	61	18	638	135	978	2032
1929	54	10	515	114	945	1260
1932	145	22	922	244	2662	4994
1939	82	14	732	229	1566	2449
1943	38	9	403	101	726	1096
1945	38	8	345	101	685	1006
1946 (Est.)	25	6	233	110	590	623

Annual amortized payment of principal and 4% interest=$1,096.40.

The Uncertain Tomorrow

(Continued from page 2363)

good, and I said to him, "No Jay, you didn't make $2,000 last year. Hitler made it for you."

That operator was kidding himself that he was doing a good job when, as a matter of fact, he was doing a mediocre job. He will get a rude awakening some of these days. His error was what I call "mistaking inflation income for efficient management."

There have been no foreclosures the last few years, no receiverships, no failures. We have been carrying along many inefficient producers in the economic stream. One of these days we are going to start plucking that driftwood out of the economic stream. It will be a very painful process, but it is one, it seems to me, that we must go through if we maintain our private way of doing business.

8. Equip your thinking to contribute to an intelligent and unselfish solution to the difficult economic and political problems America must face in the years ahead.

I spent eight months in Washington two winters ago. I was not with the government, but with Brookings Institution, a private economic research agency. I was close to the government, and I had a rare opportunity to see the government first-hand and see how it operates. I met frequently before congressional committees and in the offices of the Secretary of Agriculture and various other places. I saw how pressures back home operate and how they are translated into the policy of the goverment. I became impressed as never before with the necessity of sound public opinion back at the grass roots of America.

I am talking today to a group of people who occupy influential positions in your communities, positions of more influence than you realize. You influence the thinking of more people than you appreciate. You and I, as representatives of the middle class of Americans, have both an opportunity and a duty to set our own thinking straight with respect to the postwar period, and to influence the thinking of others in a sound and healthy manner.

I am convinced if we have gotten some things out of Washington the last ten or twelve or twenty years that we haven't liked, it has been only because the majority of Americans wanted it; and I am equally convinced if we get things in the next dozen years we don't like, it will again be because the majority of us want it. That is the way our democracy operates. Therefore, I have a lot of respect for the importance of developing sound public opinion back at the grass roots of America.

I have time for only one or two thoughts along that line before I close.

In the first place, let's dont let Americans lose faith in America. So many of my friends say, "Well, what is going to save us when unemployment comes along?" You know, it has only been ten months since Mr. Truman predicted there would be 8 million unemployed in October, 1946. He was sincere when he said that, but it was a very bad prediction that somebody sold him.

Let's not let Americans lose faith in America. Out of our 170 years as a nation, we have been at war one year out of every seven. After each war we have come out stronger as a nation, with new products, new markets, new ways of doing things, a higher standard of living. As a public educator, I have enough confidence in the inventive genius of young America to know that the yet unborn industry will come along to challenge the best there is in us. We stand on the threshold of the best age our nation has ever known, if we will to make it so.

We are going to have some hard times. We are going to experience disillusionment. But you know if we are made of the right stuff, adversity and disappointment will make us stronger men.

Britain's Need For a Property-Owning Democracy

(Continued from page 2340)

considering the domestic economy of this country, we find ourselves constantly faced with the problem of harmonizing the free play of competitive forces and of individual initiative with the organizing power of central government.

The two great political parties in the State, the Conservative party and the Socialist party, approach this problem from entirely different angles. Socialism lays its stress upon the material aspect and proceeds on the assumption that the solution of economic problems must automatically bring with it the solution of spiritual problems. The policy of the Socialists is already clearly declared. They believe in the nationalization of the means of production, distribution and exchange. This in practice, and it is the practice of governments rather than their theories that affects the lives of the common people, this in practice means nothing more nor less than State capitalism, the concentration in the hands of the government and its satellite organizations of all the wealth of the community.

The Socialist claims that our problems can be solved by centering all ownership of property and productive power in the hands of the government. Our view is diametrically opposed.

In a recent speech, Mr. Van Acker, lately Prime Minister of Belgium, said: ". . . in general, the State is a bad industrialist, a bad salesman and a bad businessman."

Few who have had experience of Socialism would deny the truth of that. We believe that the policy of our Socialists is false on two grounds. First, the creation of a system of State monopolies is not the most efficient method of solving our economic difficulties. Secondly, this process would create spiritual problems and dangers even more harmful to our people in the long run than the economic difficulties that they seek to solve. Our ideal is not the concentration of ownership, but to spread over the widest possible field, and largest possible number of individuals. We believe that there are not too many capitalists, but too few. Our policy is based on achieving the widest and most equitable distribution of wealth into individual ownership.

I have defined our purpose to be secure the fullest and freest possible life for the individual within an ordered community. To bring this about we must adopt two main lines of approach. First, what has been described as the establishment of a property-owning democracy. I believe that the existence of private property is essential to the maintenance of individual freedom. For man must be master of his environment, and it is precisely in the concept of ownership that he achieves this mastery. In a society in which every citizen depends for all his means of livelihood upon the government, individual liberty, as we in this country cherish it, must wither and fade.

The second line of approach is this. Life must be taken as a whole. You cannot draw a clear line of distinction between man's working life and his leisure. If he is to have the status of a free individual, he must have it in his work just as much as in his leisure time. But the whole trend of the development of modern economy of itself militates against that individual status. The natural effect of the development of a machine economy is to depress the status of the workman in industry to that of a mere unit of production. It is for us to take the lead in finding the remedy for this otherwise inevitable process. I say take the lead advisedly, for this is not a matter which can be wholly solved by legislation but, on the other hand, it will never be solved unless there is a lead from government. It is our duty to see that this lead is given.

There is one other issue that I must mention at this stage, for it is in effect a link between our two problems of the spread of ownership and the achievement of the status we want to see for the worker in industry. This is the question of productivity, or output, to give it a less pompous name. A substantial and steady increase in the output of industry and agriculture is a fundamental condition for achieving our purpose. A nationwide property-owning democracy cannot be brought about by merely redistributing existing income.

That field has already been thoroughly ploughed over. The amount left, after deduction of tax in the hands of all those earning £2,000 a year and over is equal to about one-fortieth part of the total gross national income. The truth is, we have almost reached the stage where an excessive drag on individual incentive reduces the general standards of the whole community. A nationwide property-owning democracy can only be achieved by a great increase in the production of wealth, and by ensuring that its distribution is closely related to ability and effort, and that savings, when won, are protected against the dissipating force of unemployment or ill-health.

But, at the same time, the increased output that we need cannot be attained without the whole-hearted cooperation of all engaged in industry, in whatever capacity. I see that the Lord President of the Council recently admitted that "if production falls or stagnates, the checks which the nation has already drawn on the future in form of increased wages and salaries, reduced hours, increased social services and a higher school-leaving age cannot be met."

That is undoubtedly true, but I must add: so do the Socialists reap what they have sown. All their plans depend upon output. But one of the main contributing factors to the present unsatisfactory level of output in industry is the persistent campaign Socialists have conducted for years past against extra effort and extra output. They have used every device to persuade workers in industry that increased effort does not bring increased reward, that extra toil benefits only the boss. Now they seek to make the people unlearn the lesson they have themselves taught them.

Output Must Be Raised

However keen the temptation, we cannot enjoy the spectacle of the Socialists "hoist by their own petard." For, if this problem of greater output is not solved, not only the Socialist Government will suffer, but the whole nation. It is the duty of every one of us at this time to make what contribution we can to raising the level of national output. It is the particular function of H. M. Opposition to criticize whatever is wrong with the Government's efforts. But also it is our duty to develop and propound our own alternative proposals. I will give you some of them.

The spirit of cooperation, which is the first requirement of success in solving our industrial problems, will not be achieved by the establishment of a rigid system of State capitalism. It will only be realized by developing a genuine spirit of partnership between Government, capital and labor.

Take, for example, the relations of Government and industry. The changed conditions of the present day make it necessary for the Government to play an increasing part in the economic life of the nation. Their duty is first to deal with some of the problems that would lie outside the scope of an unaided system of free enterprise.

Secondly, to assist in the task of obtaining the maximum benefits that can be won from the operation of such a system. The tasks of Government and industry are complementary. Their partnership should be based, in the words of a recent statement by the Federation of British Industries, "upon mutual confidence and forbearance, rather than upon domination and rigid control." The problems of full employment and of the distribution of industry, the achievement of balance and of steady expansion in our economy demands both the potential organizing power of Government and the thrust and drive of individual genius and initiative.

Then, there is the whole field of industrial relations in the narrow sense of relations between employers and workpeople. Here, too, our ideal must be partnership in the broad sense of the word, based upon mutual confidence and understanding, but also upon clear differentiation of function. The word copartnership is much used today. But it is used from time to time in two different senses which may give rise to confusion. In the first place, copartnership is sometimes used as a word to describe the broad concept of partnership between capital and labor in the common purpose of increasing production. But it is more often employed in a narrow sense with special reference to the various schemes for profit sharing and workers' participation in profits that have been developed in this and other countries for some considerable time now.

To my mind, copartnership in its narrow sense is, though important, only part of the whole broad problem of industrial relations to which I myself attach the broader term partnership in industry. The various copartnership schemes that have been proposed and practised are worthy of our study.

But they are of less significance than the fundamental problem of capital-labor relations. The first essential for real partnership is **m u t u a l** understanding. The key to an enhanced and more individual status for the workmen in industry is knowledge. We cannot build a satisfactory structure of industrial relations upon the present basis of suspicion engendered by misinformation.

All who are employed in industry are entitled to share in the knowledge of its operation and its purpose. All are entitled to be told how its resources are obtained and how its fruits are distributed. There has been during the war a great expansion of the practice of joint consultation between the two sides in industry.

It is of the first importance to strengthen and extend this consultation at all levels. There are, for example, gaps to be filled in. There are many examples of joint consultation machinery at factory level and at the national level, but as yet there is no adequate machinery for consultation at a level where similar problems affecting whole industries can be studied. This is a task to be undertaken. Moreover, machinery alone is not enough unless the will to operate it exists, and exists on both sides. Here the responsibility devolves upon management and upon the representatives of the workpeople, for it is they, and they alone, who can make joint consultation a success. The best devised schemes will not function if there is an atmosphere of mutual suspicion and hostility. This is not a matter, as I have said before, that can be determined by legislation; but, on the other hand, it is a matter on which we as a party must endeavour to give a definite lead.

Management Authority Essential

It is no less important to ensure that, while partnership is based on mutual understanding, it is also based upon a clear differentiation of function. A team will not work unless there is a captain, and in modern industry it is essential to efficiency to maintain the authority of management. The purpose of joint consultation machinery is to ensure that management is fully aware of the point of view of the workers, and of how their interests are affected by managerial decisions, and on the other hand to make sure that the workpeople fully understand the motive and purpose of managerial decisions.

But it must be absolutely clear that the responsibility for taking those decisions and for carrying them through rests with management. Any blurring of this position can only militate against efficiency.

Borrowings on NYSE Lower in September

The New York Stock Exchange announced on Oct. 2 that borrowings reported by member firms as of the close of business Sept. 30 aggregated $407,924,764 as compared with the figures of $508,946,845 on Aug. 30. Details as given by the Exchange follow:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $156,-883,102; (2.) on all other collateral $251,041,662 reported by New York Stock Exchange Member Firms as of the close of business Sept. 30, 1946 aggregated, $407,-924,764.

The total of money borrowed, compiled on the same basis, as of the close of business Aug 30, 1946, was (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $203,-955,722; (2.) on all other collateral, $304,991,118; total, $508,946,-845.

Banigan & Fowler Are Cohu & Torrey Partners

William J. Banigan and John B. Fowler, Jr., have become general partners of Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange. Messrs. Banigan and Fowler were formerly general partners in W. J. Banigan & Co. John S. Hutchinson, also formerly of Banigan & Co., has become associated with Cohu & Torrey in the firm's research department.

Mr. Fowler will be in charge of the Carlisle and Harrisburg offices, formerly operated by the Banigan firm.

Problems Facing International Monetary Fund

(Continued from page 2338)

East, find their international economic position seriously deteriorated as a result of the war. Their first task is to restore agricultural and industrial production on a modern and efficient basis and to bring it into line with the new requirements of the market. In the Far East, the restoration of production has just begun. On the European continent, members of the Fund as a group have in the past year succeeded in raising their industrial output, but it still remains considerably below the prewar level. Agricultural production in Europe has also risen and this year will be not far below prewar. Nevertheless, in some countries recovery still lags, and in all countries there are difficulties in reaching and surpassing the 1938 level of output.

The road ahead is not an easy one. Although foreign aid has been of great assistance, it is important to recognize that recovery in the occupied countries has depended and will continue to depend primarily on their own efforts. In order to raise agricultural and industrial production to levels commensurate with the technical progress of the past decade, reconstruction must be given priority above all other economic needs with the exception of maintaining consumption essential to the health and efficiency of the people. The countries that suffered destruction and devastation are still short of equipment, transport, raw materials and, in certain cases, food and shelter. These shortages must be made good before their labor efficiency and productive power can be fully realized.

The countries which suffered from enemy occupation still need considerable external assistance to help them in restoring production. The countries that can provide capital in significant amount out of their present resources are limited in number. Even so, there has been a gratifying willingness on the part of some countries, themselves in need, to provide to others the moderate credits they are in a position to offer. But the only substantial sources of foreign capital are the countries whose large domestic output and strong international economic position enable them to maintain an export surplus. In the past year, the United States and Canada have made capital available on a very large scale for urgent reconstruction needs. Since the end of the war the United States Government has authorized credits in excess of $8 billion and the Canadian Government has authorized credits of $2 billion. A number of countries in Europe have also helped by making credits available for trade and reconstruction. The provision of additional foreign capital remains, nevertheless, of the greatest importance to the restoration of the world economy.

Efforts to maintain and to restore production and international investment cannot have anything like their full effect without a reasonable degree of monetary and exchange stability. In fact, only a few countries have succeeded in maintaining even moderate stability of prices. In some countries inflation has been extreme. In others, it has previously been held in check, although in a few cases controls have recently been weakening. The inflationary forces generated during the war are being augmented by a continuation of budgetary deficits and the further expansion of money. Almost every country is spending far more for military purposes than was anticipated. With these inflationary forces superimposed on the disruption of world economic relations caused by the war, it is not surprising that the present pattern of exchange relationships contains a number of grave distortions. The elimination of these distortions and the promotion of currency stability and expanding trade are among the important tasks facing the Fund.

Exchange Controls

During the war exchange controls and restrictions were essential to mobilize and conserve foreign exchange resources; their continuance now reflects the inadequacy of a country's foreign exchange resources relative to its needs and the importance of guarding against disturbing capital movements. In most countries there is a severe shortage of goods of all kinds that must be obtained from abroad. In such countries, exchange restrictions are unavoidable for a time in order to assure that the most essential requirements for consumption and reconstruction will be met out of their limited foreign exchange resources. Then, too, there is the ever-present danger of capital flight, particularly in periods af adjustment. The Fund Agreement recognizes that many countries will have to continue to use the machinery of exchange control to prevent the dissipation of their exchange resources and the weakening of their international economic position through capital flight.

These considerations should not discourage rapid progress toward the elimination of unnecessary exchange restrictions on current transactions. The more currencies become convertible, the easier will be the task of freeing the remaining currencies from such restrictions. It is fortunate that there is now every prospect for an early resumption of the convertibility of sterling in connection with current transactions. The credits made available to the United Kingdom by the United States and Canada will enable Britain to buy essential imports and to pay for them with convertible sterling. The British Government has also expressed its intention to make agreements with the countries concerned varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by sterling area and other countries. These developments will help in restoring convertibility of currencies and freedom in current transactions in accordance with the provisions of the Fund Agreement.

Exchange Rates

In ordinary times, the pattern of exchange rate has an historical continuity which gives it an element of strength and stability. A great war radically alters the established position of currencies. In some respects our problems at present are less extreme than after the last war. There has been a greater realization of the need to keep prices and costs in hand and to keep the balance of payments in order. But we must frankly face the fact that currency systems of some countries have completely broken down and they must be rehabilitated before they can be stabilized. There are other currencies in which some change in the present foreign exchange values may be necessary. While a start toward orderly exchange arrangements can be made by establishing initial par values for many currencies that already have an element of stability, there will remain the great task of rehabilitating weak currencies and integrating them in the world structure of exchange rates. For such countries, the Fund can extend the period of consultation, and an agreement on the initial par values can be postponed until their economic and monetary situation becomes more stable. In the meantime, the fact that initial par values have been established for other currencies will enable these countries to see more clearly the problem of fitting their currencies into the structure of exchange rates.

We recognize that in some cases the initial par values that are established may later be found incompatible with the maintenance of a balanced international payments position at a high level of domestic economic activity. Because the entire world is in need of goods, some countries may maintain foreign exchange values for their currencies which are not for the time being a great handicap to the sale of their exports, but which prove to be too high when production is revived all over the world and the immediate shortage of import goods is in large part met. Such countries may later find difficulty in selling sufficient exports to pay for needed imports. When this occurs, the Fund will be faced with new problems of adjustment and will have to recognize the unusual circumstances under which the initial par values were determined. It is just at such times that the Fund can be most useful in seeing that necessary exchange adjustments are made in an orderly manner and competitive exchange depreciation is avoided.

Use of the Fund's Resources

The Fund provides facilities to countries that require temporary help in meeting balance of payments deficits. There are limitations on the use of the Fund's resources by members. The use of the Fund's resources must be consistent with the stated purposes of the Fund. Members must not use the Fund's resources for a large and sustained outflow of capital, nor is the Fund intended to provide facilities for relief and reconstruction. In this connection a certain misunderstanding exists regarding the use of the Fund's resources which should be cleared up at the beginning of its operations.

The Executive Directors do not think that it follows from the relevant provisions of the Fund Agreement that a member is necessarily debarred from using the Fund's resources, because it is importing "relief-type" goods, i.e., goods of a type hitherto supplied by UNRRA, or because it is importing machinery and equipment to replace what was destroyed or worn out during the war. The Fund will not operate by examining the specific use which is made by members of each parcel of foreign exchange they purchase from it. Indeed, it would be futile to attempt this, as members will also be using their own exchange resources, and a member can allocate a particular outlay of exchange to one or the other source. What is significant is the magnitude of the use which a member makes of the Fund's resources and the prospective balance of payments position of that member.

It is from this point of view that the avoidance of use of the Fund's resources for relief and reconstruction must be regarded. The Fund will clearly not serve as a relief agency like UNRRA: it cannot give foreign exchange away. Nor would it sell foreign exchange to a member when there is no reasonable prospect that the member will be able to repay the Fund. Members could not properly use the Fund to finance long-term reconstruction plans which involve sustained use of the Fund's resources to meet a continuing deficit in their balance of international payments. The Fund is not empowered to provide financing of that sort. The essential test of the propriety of use of the Fund's resources is not the character of the goods imported, but rather whether the prospective balance of payments position of the country concerned (including long-term capital movements) will be such that its use of the Fund's resources will be of relatively short duration.

It is clear that in starting operations at a time when much remains to be done in reconstructing the war-devasted economies, the Fund runs the risk that some of its resources may be used for other than temporary assistance. There will at times be differences of opinion as to whether a member is making proper use of the Fund's resources. There are certain to be disappointments because of the restraints placed on use of the Fund's resources by some members. And there will, no doubt, be errors of judgment in assuming risks of one kind or another. The Executive Directors consider it their duty to bring to the attention of the Board of Governors the fact that in the early period of its operations the Fund may take risks that would not be justified under normal circumstances.

For a variety of reasons, the risks involved may not, however, be as great as might appear at first sight. First, certain creditor countries in a position to do so have already made substantial loans to aid in reconstruction. Second, the International Bank for Reconstruction and Development will supplement what reconstruction loans are made available directly by governments and through the private capital market. Third, as indicated above, the Executive Directors will exercise the power to limit or postpone exchange operations with countries whose economies are so out of balance that their use of the Fund's resources would be contrary to the purposes of the Fund Agreement or prejudicial to the Fund or the members. Finally, the Executive Directors will have the situation under constant review and will take appropriate action if the situation warrants.

Limited Scope of the Fund

It would be a serious mistake to regard the Fund as capable by itself of solving the economic problems the world now faces. It has neither the power nor the resources to do this, nor was it designed for this purpose. The function of the Fund is to aid members in maintaining arrangements that promote the balanced expansion of international trade and investment and in this way contribute to the maintenance of high levels of employment and real income. While the Fund can be of help in this direction, the attainment of these ultimate objectives —high levels of employment and production—must in the end depend upon the pursuit of appropriate national economic policies and upon the solution of other international economic and political problems. No monetary organization, however ably devised, can be a substitute for wise policies in the national and international sphere.

A balanced and expanding world economy cannot be attained without adequate production. Until countries are again producing on an efficient basis, they cannot export enough to pay for their essential imports. This is the fundamental condition for achieving a sustained balance in international payments in the long run. It is important, therefore, that in all countries in which output has been reduced by the war, special efforts should be made to increase production and to raise productive efficiency.

Monetary stability is also essential for maintaining orderly exchange arrangements. The primary sources of inflation or deflation are found in national policies. There is not a great deal that the Fund can do to eliminate the instability of domestic prices where the chief sources and price fluctuations are in domestic arrangements. But the Fund can help to minimize the effects of monetary instability by preventing it, to some extent, from spreading to other countries.

On the international side, too, important conditions will have to be fulfilled to achieve a balanced and expanding world economy. The Fund was conceived as one element in a many-sided approach to the task of reestablishing a functioning world economic system. Other elements were the solution of the immediate postwar problems of relief and rehabilitation, means for encouraging and regulating the flow of international investment, including financial provision for meeting the emergency requirements of countries most adversely affected by the war, liberal commercial policy arrangements of a multilateral character, and some provision for mitigating excessive fluctuations in the prices of primary products, including food-stuffs. Progress along some of these lines has been more rapid than along others. The accomplishments of UNRRA are well known, though it is not yet clear what measures will be adopted to take care of such continuing needs as there may be for relief without expectation of ultimate repayment. But much remains to be done in other fields of international economic cooperation.

All countries have shown an appreciation of the important role that international investment can play in reconstructing and developing the world economy. The members of the International Bank for Reconstruction and Development, by their subscriptions, are assuming much of the risk involved in international lending, and they are giving effective encouragement to the revival and expansion of sound and productive investment. Although large reconstruction loans have been made, there is a continuing need for foreign capital for productive purposes. It is expected that the International Bank will soon be in a position to carry some of this load.

The organization of international collaboration on commercial policy has proceeded less rapidly than might have been hoped. But the initial preparatory conference on world trade and employment is to be held in London next month. The Fund has clearly a very great interest in the successful outcome of the commercial policy discussions and in the achievement of trading arrangements among its members which are conducive to a high level of exchange of goods on a multilateral basis.

We have thought it well to give this brief review of some of the problems facing the Fund in order to indicate at the outset the perspective in which we see our work. We do not underestimate the difficulties facing us. But we feel that the Fund can make an important contribution to the solution of the economic problems confronting the world. The work of the Fund will be facilitated by appropriate domestic and international economic policies. Above all, it is imperative that the grave international political problems now restraining world recovery be progressively solved. An indispensable element in a prosperous world economy is cooperation among all countries for establishing and maintaining an enduring peace.

Flynn and Levitt Admit F. H. de Beaulieu to Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frank H. de Beaulieu has been admitted to partnership in Flynn and Levitt, 411 West Seventh Street. Mr. de Beaulieu recently became associated with the firm.

Robert A. Nusbaum has been added to the staff of Flynn and Levitt.

Is Railroad Pessimism Warranted?

(Continued from page 2335)

pean war in 1914, than is now generally recognized.

At that time the American railroads had reached a new stage in their development. By a queer coincidence the Interstate Commerce Commission rendered its report in the so-called "Five Per Cent. Rate Case" on the eve of European hostilities. This report, though denying in large part the petition of the Eastern railroad companies for increased charges, affirmed that "the net operating income of the carriers . . . considered as a whole, is smaller than is demanded by the public interest." This statement indicated an apparent change in the attitude of the Commission since the decisions rendered in the 1910 rate cases. The carriers then were flatly refused any increase in the general level of rates on the ground that they were amply prosperous.

During the period of these two well known rate increase investitions, the railroads as a whole had been experiencing various kinds of operating and financial difficulties. The current policies of railroad control had destroyed a great deal of the initiative and enterprise in railroad expansion and development. Improvements and extensions of transportation facilities no longer offered as profitable a field of enterprise as in former years. Having already acquired advantageous territorial connections, the constructive activities of American railroads became limited largely to local improvements and physical betterments demanded by the growth of traffic. Though these improvements, undoubtedly, increased earning capacity, the gains were not as pronounced as in the case of extensions and new consolidations. The investment in new railroad capital did not then promise the speculative yield of earlier years. Moreover, through heavy expenditures for increased branch mileage, additional main tracks, large and fancy terminals and similar intensive improvements many of the railroads had become burdened more heavily with fixed charges than was warranted by their immediate or prospective earning capacity.

This adverse financial situation could be ascribed largely to the following causes: (1) Small earning capacity of new branch mileage and non-income producing improvements; (2) reduced scale of operating economies; (3) higher standards of railroad service; (4) increasing wage costs; (5) increasing rates paid for capital, and (6) adverse legislative enactments.

Conditions in World War I

When the United States entered the European war in the Spring of 1917, the railroad problem had become acute. There was a shortage of equipment of all kinds, an insufficient and inefficient labor supply; a declining margin of net earnings, despite increased traffic, and an impending demoralization of railroad credit. Added perplexities were found in the uncertain political attitude toward the railroads. The conflicting regulations of the States and the Federal government prevented efficient coordination of the country's transportation system and caused an annual loss to the companies estimated at over $100,000,000.

In the endeavor to have a fixed and uniform railroad policy established throughout the Union, the leading railroad systems organized an Executives' Advisory Committee, to place before Congress a plan of control whereby the companies would be freed from the authority of the various State Commissions and at the same time would be assured a certain and fixed policy of governmental administration to which they could adjust their schemes of operation and expansion. The Congressional committee appointed to inquire into this subject (known as the Newlands Committee), held a number of hearings during 1916 and 1917, but practically abandoned its work with the declaration of the war. The whole matter, therefore, was left in abeyance to be finally taken up again after the return to peace conditions.

During the nine months of the war preceding government operation, the railroads of the country floundered in a sea of irresponsible centralized direction while under private and responsible financial control. The companies voluntarily surrendered their individual initiative and independence as a war measure, but without any adequate relief to assure their financial or corporate integrity. Under this system the operating difficulties multiplied to an extent that made direct government operation not only a military but a financial necessity.

Whatever may be said at this late date of the policy of direct government wartime operation of the railroads in World War I, there can be little doubt that, considering the circumstances, the owners and managers of the lines were benefited thereby. Private operation under military necessity could hardly have continued without general bankruptcy or financial demoralization. It cannot, in fairness, be said, however, that the assumption of direct operation by the government did not foster serious evils. The diversion of traffic from customary channels, the laxity of executive morale, the inefficiency of labor and the resulting high operating costs, the impaired earnings, the under-maintenance and the general disorganization of competing progressive forces, together with the loss of adaptation of each line to traffic and operating conditions were all matters which required adjustment when a regime of private initiative and management was again to prevail. It was recognized that when the railroads were returned to their owners they were not the same properties as when taken over by the government. The metamorphosis, though not physically complete, marked a new stage in their life history. A new basis for judging railroad investment values had to come into being.

Transportation Act of 1920

This new basis was partly supplied by the Transportation Act of 1920. This law not only seemed to assure substantial increases in the prevailing railroad rates, but it also gave a sort of guarantee of "a living wage" for railroad services, since as a means of rate adjustment the new Railroad Act provided:

> "In the exercise of its power to prescribe just and reasonable rates, the Commission shall initiate, modify, establish or adjust such rates so that carriers as a whole (or as a whole in each of such groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management and reasonable expenditures for maintenance of way, structures and equipment, earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held for and used in the service of transportation."

Such a subtle guarantee, however, was visionary. It served, however, the purpose of restoring railroad credit for the time being, and the rails again entered the arena of stock speculation.

Another provision in the Railroad Act of 1920, which aided in reviving railroad credit and restoring speculation in railroad shares was the plan to consolidate the lines into a limited number of systems. This gave an impetus to system acquisitions by railroad and financial interests, ushered in an era of competitive "line grabbing," such as that fostered by the Van Sweringen brothers and promoted by the rival Pennroad Company. As may be readily recalled by many still living, the outcome was a feverish boosting of railroad securities far above their intrinsic values. This was followed by an utter collapse.

But while all this was going on in a period of enterprise and expansion, the railroad properties were being greatly improved. Administrative methods were bettered and, insofar as they were permitted by the union regulations, labor saving devices were widely introduced. All this was decidedly beneficial to the railroad companies during the period of prosperity which came to an end in 1929. They handled a vast amount of traffic expeditiously and with profit. With greatly improved physical facilities the "law of diminishing returns" on heavily increased traffic beyond the capacity of the lines to handle did not operate as it did prior to the entry of the United States into the World War. Excepting a brief period in Florida, there were no freight embargoes, and net income increased more rapidly than the volume of traffic.

Too Rapid Expansion

But the railroad executives failed to use proper caution in their capitalization plans. They acted on the assumption of a continuous traffic growth at a constantly increasing gain. They launched upon elaborate schemes of intensive physical improvement. They bought properties and branch lines at inflated prices. They sought superior facilities as a means of meeting competition and attracting traffic. All this is well and good in times of prosperity. It would not have proven harmful to the carriers even in the depression crisis had the capital employed for the purpose been obtained by the issuance of stock instead of by fixed interest obligations. In consequence of reckless or injudicious financing, however, the very means by which a number of the leading railroad companies sought to strengthen their competitive traffic positions and increase their earnings, have brought acute financial difficulties upon themselves.

Take the Wabash as an example. Under the administration of the late W. H. Williams, this carrier, when barely out of receivership and with impaired credit, put into effect an elaborate expansion program. In 1925 it purchased the Ann Arbor Railroad at a high cost. It also acquired the capital stock of the Lake Erie & Fort Wayne Railroad. It bought heavily into the Lehigh Valley and, in addition, in five years time it spent about $50,000,000 on improvements and betterments. All this was largely accomplished by selling bonds with inferior equity. Between 1924 and 1928, inclusive, the Wabash issued $46,000,000 in bonds and, in addition, about $12,000,000 of equipment trust obligations. The heavy interest burdens thus incurred could be borne only on a basis of continuously increasing traffic, so that, when the depression came, the company was unable to meet these charges, and receivership was the inevitable outcome.

The bankruptcy of the Seaboard Air Line was also the effect of an incautious policy of physical expansion and a heaping up of fixed interest obligations. Encouraged by the temporary enormous traffic increase induced by the fantastic Florida "boom," the management of this road undertook to expend millions of dollars for new mileage and for additional facilities, at a time when its credit was still in a dubious state. For more than twenty years the company's financial structure had been too weak to meet the uncertain and fluctuating traffic offered to its lines. Yet, despite this situation, it put out, directly and indirectly, approximately $75,000,000 in high-rate, fixed interest obligations. The ultimate burden of this reckless financing, of course, falls upon the innocent investing public. In "boom" periods, investors generally do not look far ahead, and, in this case, were induced to believe that an inflated bubble, fostered by Florida land jobbers, would retain its gas forever.

The failures of the Seaboard Air Line, the Florida East Coast and the Wabash furnish a remarkable object lesson in railroad investment. The difficulty of the rail carriers is not entirely a question of traffic or of competition. The volume of traffic has always fluctuated, and in past depressions it has also fallen off heavily. Moreover, it is not to be expected that railroads can reduce operating costs with the same flexibility as industrial concerns. The error of the carriers has been in their methods of financing—the heaping up of fixed charges on the basis of temporary and fluctuating earnings.

The Present Situation

There are two factors which stand out in the present railroad situation which distinguish it from the previous postwar period. One is the favorable operating conditions under private ownership and heavy traffic experienced by the railroads during the war. The second factor is the substantial scaling down of fixed charges through refunding and debt reduction or through reorganizations. A number of companies have accumulated large cash reserves, in addition to excess profits drawbacks. Despite scarcity of materials and shortages of cars, the rail properties have been kept in excellent condition. There has been, moreover, no impairment of administrative efficiency as during the period of government operation in the previous war, and there has been no switches in personnel or administrative control, as occurred after 1920. Of course, much the same problems face the whole industry now, as then. Higher wages, excessive pension payments, and other heavier operating costs, as well as loss of business due to strikes, reduced traffic and increased competition from other carriers must again be overcome. But there is no indication of a repetition of the "improvement and betterment" spree that occurred in the decade 1920-1930. And there is nothing at all in the nature of waste of capital through competitive acquisition of subsidiary lines. The craze for consolidation of rail lines has petered out entirely.

The pressing need of the railroads is for higher rates to offset their heavier operating costs. This is widely recognized and substantial increase in charges is expected. There is still room for operating economies and improved services, but railroad physical progress has advanced to a stage where opportunities for improvements to reduce costs are of a limited nature. This does not mean that there will not be continuous betterments of one kind or another. But much of such betterments will be in the nature of attracting business rather than lowering operating costs. With payrolls now $1.5 billion above 1940, with $90 millions of payroll taxes, and with much higher materials' costs, as well as need for new capital outlays not bringing in a commensurate return, additional revenues must be had to keep the railroad companies solvent.

Yet high rates, even if granted, are not a sure cure of railroad financial ills. Each substantial rate boost diverts traffic and aids competing carriers. When physical facilities are ample, the chief earnings factor of the rail lines is a dense and balanced traffic. A railroad normally is a business of increasing returns, and each addition to traffic volume should mean greater revenue under reduced unit costs.

Readjustment of Rate Structure

Railroad future progress will also be determined to a considerable extent by improvements and readjustments in the present freight rate structure. The freight rate system has grown up over the past century and in many respects is antiquated. Considerable dissatisfaction exists regarding both the general and regional class rates, but to alter them will not be an easy problem. The whole rate structure is so intertwined that a slight change in one item sometimes requires a readjustment of the whole fabric. This is well indicated by the furor created by the Interstate Commerce Commission in the recent decision regarding Southern and Northeastern class rates.

Yet, aside from the problems of rate adjustment required by exigencies of trade and traffic distribution, modifications in the systems of rates are necessary in a rapidly developing country to keep pace with changing economic conditions, both regional and national. Adaptation to business changes is an essential element of successful railroad operation and development. Under private ownership, and with characteristic operating skill, American railroad managers must be active and alert in seeking new traffic as well as in physically improving their properties. They must also have an incentve to do this. A strong contrast between Europe and the United States has been the fact that the European railroads generally have taken traffic as it is offered to them, whereas the American railroads have been forced to create their traffic.

Conclusion

On the basis of present and prospective conditions, and given a substantial increase in rates that will result in additional revenues without adversely affecting their traffic, there is no basis for extreme pessimism regarding the future of the railroads. Certainly, their situation today does not indicate the unfavorable factors which were present after the last war, when there came in the wake of postwar boom an inordinate expansion of railroad bonded indebtedness that resulted in the usual bankruptcy and collapse of railroad credit when a business recession followed.

Business Man's Bookshelf

Kansas Banking During the War Economy Period 1939-1945 — L. J. Pritchard — University of Kansas Publications, Industrial Research Series No. 7, University of Kansas, Lawrence, Kan.—Paper—No charge.

Preparation of Company Annual Reports — American Management Association, 330 West 42nd Street, New York 18, N. Y.—Paper—Distribution restricted to company members of the American Management Association until April 1, 1947; eligible companies desiring to obtain extra copies of the report to distribute to executives who will not receive it through regular membership channels may procure them at $2 per copy. The price to non-members will be $3 on and after April 1, 1947.

Menace of Discretionary Government Agencies

(Continued from page 2336)

tive agencies of the United States. Both courts and agencies, it should go without saying, must operate not only within the laws but within the purpose of the laws and the Constitution.

However, two contrary points of emphasis have gained considerable currency in the last decade or so. The first might almost be called the "cult" of discretion. The other is the assumption that whatever is official or officially done, is necessary and therefore lawful. While discretion has its place and government must operate, it should require no argument to demonstrate that constant emphasis on these two themes will inevitably destroy government according to law and substitute mere fiat in the place of justice.

Where law ends, arbitrary power begins. If the laws may be bent to the preference of any official agent or tribunal, they cease to be laws and become merely advisory declarations of the Legislature. But this nation was founded upon the premise, enunciated in the Declaration of Independence, that all arbitrary executive power is to be avoided. It is therefore unsound and unwise to divide government into matters of law and matters of discretion, because such a division implies that the one is as proper as the other. Although we may never wholly achieve it in all details, the whole theory and cast of our government is that it is a government of law rather than a government of men. Discretion is merely the inescapable or unintentional residue.

Nor is it any more valid to divide the field into matters of law and matters of government. While it is often convenient to refer to the mixed field of law and government, we do not mean thereby that matters of government are beyond the law. Under our constitutional system, governmental powers must be exercised within the law.

In connection with either discretion or government, it is important also to bear in mind that law means not merely the letter of the statutes. The aim of all law is justice. Justice is the aim of statutory law. It is the aim of judge-made law. It must also be the aim of administrative law. We will do well, therefore, to emphasize both law and justice in considering administrative powers and processes. Otherwise the law and the methods of applying it become nothing more than a false front behind which arbitrary, unethical, and irrational operations proceed unrestrained.

My point here is that we must begin with a firm basis—that we seek *justice* according to law, that discretion must play a subordinate part, and that governmental processes derive no validity from the mere fact that they are official. We may at times fancy that as a practical people, we can safely deviate a bit here and there; but we do so at our peril and, after each such indulgence, the task of bringing our government again into line with our ideal must be given a high priority.

II

As a regular matter, how are we to achieve justice according to law? I have said that the means and the vehicles to that end are the laws and the tribunals of the land. Here the laws have a dual function. Statutes create and fashion the tribunals, and they state the "law" in its usual sense of substance and procedure.

It is at this point, however, that we reach a crossroads in the field of administrative justice. Those who lean toward administrative absolutism maintain that statutes should create and empower agencies—but should go no further. Yet, if we are to achieve a regime of law, there are several obvious answers to that new political creed.

If there is no statutory law respecting procedure, administrative processes are left to be regulated solely under the broad phrases of the Constitution. But the Constitution does not mention administrative agencies or functions. In fact, it contains the barest passing reference to executive departments of government. Its framers assumed that laws would be made by Congress and applied by the courts. They assumed that trial by jury would supply additional popular safeguards. They assumed that limitations on criminal law processes would preserve civil liberties. Yet administrative justice is subject to none of these limitations.

Even more important is the fact that the Constitution is not, and was not intended to be a code of law. It sets up a form of government. Administrative justice has been engrafted upon that form. It remains for us to provide a realm of law within which administrative agencies are to operate, just as law has been provided for courts to administer and a judicial code has been developed. Both substantive and procedural law have been provided for courts. There is more reason to do both for administrative agencies, because courts may draw upon the principles of the common law and long tradition has given them a mode of procedure—whereas agencies do not profess to be bound by tradition and claim no descent from the common law.

It is sometimes said that, although these things may be true, the substantive and procedural law applicable to an administrative agency should be prescribed piecemeal for that agency alone. In other fields, however, we instinctively and diligently seek uniformity and conformity in matters of procedure. Diversity merely feeds confusion, which is a great vice in any form of government and operates to defeat the very purposes of good government. Moreover, when administrative agencies are created or when additional powers are given to them, it is because there is some immediate and important public issue to be settled. The question is whether to regulate or not to regulate, and if so to what extent, rather than *how* to regulate. It is utterly impractical to expect Congress, at such a time, to enact a complete procedural law for one agency or one function. Under such circumstances, it is not surprising that procedural provisions respecting particular administrative agencies are often fragmentary, usually hastily improvised, and sometimes unwisely imitative.

These answers will not satisfy those who are distrustful of written law and who therefore seek to reduce legal processes to nothing more than individual judgments or orders in particular cases. Nor will they satisfy those who are distrustful of legislation by the elected representatives of the people and who advocate instead the delegation of legislative and judicial powers to bodies of appointed specialists.

But if we are to have law in this field, we must have legislation. If our legislation is to be sound and wise, it must be grounded upon an understanding of the whole field of administrative justice. If it is to regularize, simplify, and make workable that field, then it must apply to all agencies and all functions. The need has been recognized by most of those whose duty it is to oversee the administration of the laws.

On June 11 of this year the Administrative Procedure Act became a part of the law of the land. It was the culmination of many years of official studies, legislative hearings, and cooperative discussions. It is drawn on a functional basis and hence applies to all agencies or operations within its terms. The Gordian Knot has thus been cut. We have made a beginning. Let us pause to examine what it is and what it means.

III

The Administrative Procedure Act covers many subjects, which combine into an indispensable whole. It recognizes that administrative agencies both make and apply law, exercising legislative as well as judicial functions, and that they operate through both informal and formal (or hearing) procedures. Agencies are defined and functional exceptions have been drawn.

The approach is summarized in the following words of the report of the Committee on the Judiciary of the Senate of the United States:

The principal problems of the Committee have been: *First*, to distinguish between different types of administrative operations. *Second*, to frame general requirements applicable to each type of operation. *Third*, to set forth those requirements in clear and simple terms. *Fourth*, to make sure that the bill is complete enough to cover the whole field. The bill is designed to afford parties affected by administrative powers a means of knowing what their rights are and how they may be protected. By the same token administrators are provided with a simple course to follow in making administrative determinations. The jurisdiction of the courts is clearly stated. The bill thus provides for public information, administrative operation, and judicial review.

We may, therefore, safely assume that the statute is, as its framers intended it to be, complete and plenary.

The terms of the statute are, of course, technical. The legislative documents which accompany it tend to explain the meaning of particular words and phrases. This is not the place to enter upon a discussion of the minute applications of its several provisions. However, it will fittingly supplement the general description, from which I have just read, to enumerate some of the basic premises of the legislation. There are nine that will illustrate the purpose and the coverage of this statute:

(1) The frist of these basic premises has already been indicated. The field of administrative justice can and must be made subject to democratic legislative processes. Administrative agencies can and must be bound by the statutory law of the land. Therein they have duties as well as powers. They are not ambassadors plenipotentiary, circumscribed by no rules save what they choose to call the good of the State. They are merely agents, bound by the scope of their authority and commanded to do justice in the execution of the laws.

(2) The second is that administrative agencies have an affirmative duty to make known to the public their organization, methods and procedures as a prerequisite to the exercise of administrative functions. This may be something new, but it is indispensable if the mystery and confusion is to be taken out of the administrative process. Courts operate in the narrow territorial confines of judicial districts, but agencies have a country-wide jurisdiction. Court organization is minutely prescribed by statute, while agencies are left to devise their own setups. Court procedure has been standardized by the centuries in its essentials, while administrative methods are new. For these reasons, informational rule-making by administrative agencies is necessary.

(3) Third, in the matter of the exercise of legislative powers the fundamental premise of the new statute is that—even where statutes do not require a hearing—the public has a right to notice and an opportunity to participate in rule-making and official action therein must be expressly taken upon a rational basis and for a legitimate purpose.

(4) Fourth, in the field of adjudication the act requires an amplitude of notice, availability of settlement opportunities, and the separation of functions. In other words, the premise is that the exercise of judicial functions by administative agencies must be truly judicial in essential form and actual substance.

(5) Fifth, "Star Chamber" proceedings are outlawed. No one may be denied the right to be accompanied, represented, and advised by counsel at all times and in all places.

(6) Sixth, investigatory processes are limted to those required for the purpose of securing the just administration of the laws, and the statute is designed to preclude "fishing expeditions" and investigations beyond jurisdiction or authority. Investigations must be substantially and demonstrably necessary to agency operations, must be conducted through authorized and official representatives, must be confined to the legal and factual sphere of the agency as provided by law, and may not disturb or disrupt personal privacy, or unreasonably interfere with private occupation or enterprise. Similarly, the issuance of actual subpoenas must be equal, rational and authorized; and any supoena is contestable prior to or upon enforcement.

(7) Seventh, statutory hearings, whether in the field of rule-making or adjudication, must generally conform to the accepted modes of receiving proof in nonjury cases and of testing proof. It would be possible to expand on this subject at some length, but the real significance of these provisions will become more apparent in connection with the matter of administrative decisions, which are the crux of administrative justice.

The fundamental requirement respecting statutory hearings and decisions is that administrative action must be taken "upon consideration of the whole record. . . . and as supported by and in accordance with the reliable, probative and substantial evidence."

The act is perfectly plain—if not, indeed, redundant—to the effect that evidence, issues and decisions are a single whole, that the decision may not be made except upon and in accordance with the evidence, and the evidence must meet the tests of reliability and probity prevailing in courts of law or equity in non-administrative cases.

Whether or not there is a statutory administrative hearing it is undeniably a major premise of the statute that administrative action of any sort must be tested by facts, that the facts must be proved upon a record, and that the proof must meet the tests familiar in traditional Anglo-American judicature.

(8) Eighth, so much for questions of fact. But what of questions of law? The act simply and expressly provides that courts "shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning of applicability of the terms of any agency action." Its further premise, moreover, is that discretion must be exercised in a sound and rational manner, and within the objectives permissible under law. Not only is that the whole tenor of the statute but the act expressly provides both for the things which are necessary to test the exercise of discretion and for judicial review of matters of discretion.

Thus, statements of grounds are required where denials occur in informal or non-hearing cases of rule-making or adjudication. Investigative powers may be exercised only as authorized and in accordance with the law and the facts. In statutory hearing cases subject to Section 8, the agency must make findings and conclusions, and state the reasons and basis therefor, upon all the material issues of . . . *discretion* presented on the record. A declaratory order may be issued or refused only in the exercise of sound discretion. Judicial review is suspended only so far as agency action is by law committed to agency discretion. Committed "by law" means, of course, that claimed discretion must have been intentionally given to the agency by the Congress, rather than assumed by it in the absence of express statement of law to the contrary. "Abuse of discretion" is expressly made reviewable.

It would be hard for anyone to argue that this act did anything other than cut down the "cult of discretion" so far as Federal law is concerned.

(9) Ninth, finally, the act expressly provides not only that every instance of "legal wrong" shall be subject to judicial review but that adequate intermediate judicial relief shall be provided, that inaction shall be as much subject to review as excessive action, and that every recognized type of question of law—including supporting evidence for findings upon which agency action rests—shall be subject to judicial review. It is therefore a major premise of the statute that judicial review is not merely available but is plenary in every proper sense of the word. No administrative agency need fear it so long as administrative operations accord with law, but no citizen need complain that he is without it if he has been subjected to injury beyond the law.

None of these premises of the Administrative Procedure Act will bear attack unless the concept of justice according to law is to be abandoned. There is no half-measure or middle road. However, the statute need not be viewed as a strait-jacket for administrative agencies. Except so far as there may be other or "outside" requirements of law, it simplifies as well as directs administrative processes. Official compliance will set at rest endless bickering and discussions as to what is proper procedure. Under the act, agency action may be attacked—but it can be as simply defended. If indeed there is any danger to good and efficient government in the act, that danger lies in its becoming merely a form through indifferent administration, reluctant interpretation, or insufficient public understanding.

What of the future? Government is always restless. Apart from the fact that we live in an era of governmental violence in many parts of the globe and that we have just completed the shooting phase of the greatest war of our history in order to put down such violence, we would be foolhardy to assume that government can stand still at home in the Western Hemisphere. Those who would change our form of government may for the moment at least be reduced to a remnant, but nevertheless government will continue to do things, to undertake new programs, and to devise new measures to alleviate the evils of the day.

In the field of administrative justice we as a nation, seeking either to maintain or perfect our domestic institutions, should forge ahead along two main lines. First we should enforce and expand what we have done in the field of justice. Democracy must not merely work but must function

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Menace of Discretionary Government Agencies

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to accord with out ideals, of which justice according to law stands high on the list but requires constant effort and vigilance. Specifically, we must first be assured that existing legislation to this end is made fully effective. Then we must add to it lest, for want of diligence, we retrogress.

Indeed, we must not assume that what we have done so far is either the end or necessarily the best course. Carefully studied and measured experience may indicate that we should revise the present administrative system entirely. For example, there may be room for the return of certain functions to the ordinary courts of the land, or it may be wise to create new courts to exercise functions now casually committed—or assumed to be properly committed—to executive agencies. That is a line of progress which has been made from time to time in the past. Congress itself has recently surrendered the legislative prerogative respecting tort claims and committed the function to the regular courts.

Secondly, we must give more attention to the substantive phases of legislation where administrative justice is involved. That is a duty which not only Congress but every affected interest must face. Heretofore, with some notable exceptions, the trend of government has been for legislatures to shed their responsibilities for the making of law. There has been a much too ready acceptance of the idea that the real work of government must be left to the "experts." The courts, too, seem to have become imbued with the idea that the judicial duty and function is theirs to surrender. In fact, however, it may be doubted that either the Congress, the courts, the experts, or the public, gain by such unrestrained methods. Such a trend will ultimately leave Congress and the courts with little vital work to perform. At the same time the administrative arm finds itself directed to proceed with fragmentary powers an kvdaTAOI mentary powers and vaguely stated authority.

It would therefore be a great advance if we could tear from our minds the concept that legislatures are "delegating" powers, for delegation implies surrender and abdication. Instead we should proceed upon the proper theory that —through our legislatures — we are stating law as fulsomely and as accurately as possible, leaving the necessary execution to courts or administrative agencies as the case may be. By abdication legislatures and courts avoid many problems, rather than solve them. If we would proceed on the premises that we are stating law, we would in part at least narrow the area of doubt and "discretion."

Here indeed is a field of statesmanship, good government, and democracy in which all can share —legislators, administrators, educators, the public, those who are regulated, and the legal profession. It is understandable that lawyers traditionally consider judge-made law to be the highest form of jurisprudence. As a profession you are also much concerned with questions of the forms of government, the separation of powers, and the development of constitutional law. Yet each of you knows that, in your daily work, statutes and regulations constitute the bulk of the living law. I commend to you, therefore the proposition that the proper framing of legislation should command some of your best talents and attention. Give your best efforts to such matters, for they are important if the idea of justice according to law is to survive and flourish.

Our new administrative law statute reflects in letter and in spirit our conception of the fundamental principles underlying the American government. I would express our views on that subject thus:

The law is not the people; the people is not the law. The law is the spirit of justice governing the people. If the spirit of justice, impinging as it should upon every individual, fails to reflect full faith, fails to inspire full credit and confidence in the hearts and minds of the people, then there prevails a threat of no mean magnitude to the future strength and the future continuation of this form of government. If, on the other hand, this spirit of justice, prevailing in law and in administration, finds a resting place of confidence and contentment in the hearts and the minds of the citizenry, if each individual is brought to believe that he receives the same measure of the spirit of justice that his brother receives, this nation and this form of government, of which we are so proud, will, under God, find a course of continuation for the welfare of civilization in the centuries to come.

Bramhall, Barbour Co. Opens in New York

Bramhall, Barbour & Co., Inc., announces its formation, with offices at 25 Broad Street, New York City, to conduct a general investment business in corporate and municipal securities. Officers of the new company are: H. Keasbey Bramhall, President; W. Stanton Barbour, First Vice-President; James E. Falion, Vice-President and Treasurer; James S. Johnston, Vice-President, and J. Arthur Porter, Secretary.

Mr. Bramhall was formerly with Dick & Merle-Smith where he had been a partner since 1938. Prior to joining that firm in 1934, he was associated with Field, Glore & Co. and before that was with the Guaranty Company of New York. During the war he served for two-and-one-half years in the Navy.

Mr. Barbour, who was in the Navy for more than three years, is Vice-President and a Director of Barco Corporation and of Folensby Lumber Company of Paterson, N. J. He was formerly associated with Shearson, Hammill & Co. and Smith, Barney & Co.

Messrs. Falion, Johnston and Porter were formerly with Dick & Merle-Smith.

McDonald & Co. To Be NY Stock Exch Member

CLEVELAND, OHIO—C. B. McDonald, partner in McDonald & Co., Union Commerce Building, will acquire the New York Stock Exchange membership of Thomas Jordan on Nov. 14, and the firm, which is now a member of the Cleveland Stock Exchange, will become a member of the New York Exchange.

Douglas Rejoins S. F. Exch.

Ronald E. Kaehler, President of the San Francisco Stock Exchange, on Oct. 26 announced that Commander Robert M. Douglas, U. S. N. R., a former member of the U. S. Navy Price Adjustment Board and Executive Manager of the San Francisco Division, has again become associated with the San Francisco Stock Exchange in the capacity of Controller.

Silver—Past and Present

(Continued from first page)

out that brave little band of Spartan heroes at Thermopylae and then followed up his victory by sacking and burning Athens, it looked as though all Greece was doomed to destruction. It was there that silver played a major part in changing the history of the world, for as few people realize, it was not so much the leadership of Themistocles, but the money made available by the discovery of new silver mines at Laurium which made possible the building of the Greek navy of 360 ships which defeated the Persian host of 1200 vessels at the Strait of Salamis, thereby saving Greece and putting a final check on the western expansion of Persia. Centuries later when the Roman traders ramsacked the remote countries of the ancient world to supply the pomp and delicacy of Rome with furs, amber, Babylonian carpets, silk, aromatics, precious stones, chiefly pearls and diamonds, their principal if not their only instrument of commerce was silver. The produce of their silver mines abundantly supplied the demands of their commerce for luxuries.

Likewise, when Cortez and his brave band of 600 adventurers landed in Mexico in 1519, marched up and captured Mexico City, conquered Montezuma and the Aztec Empire and when later in 1532 Pizarro and his men conquered Peru, what spurred them on to such unparalleled feats of heroism and cruelty was their greed for the vast stores of silver believed to be there. In fact the first inquiry of the Spaniards when they landed on the coast of America had been whether there was any silver to be found in the neighborhood.

We all remember that although silver is not mentioned in the Bible before the flood, it was used in traffic in the time of Abraham. In fact this great leader bought the field of Machpelah from Ephron for 400 sheckels of silver, as a burying place for Sarah, his wife. The sheckel of those days was a stamped piece of silver, the nearest thing to our modern coin.

Later in the time of Solomon silver became so abundant that it was little valued. We read in First Kings that "All of King Solomon's drinking vessels were of gold and all the vessels of the house of the forest of Lebanon were of pure gold, none were of silver, it was nothing accounted in the days of Solomon."

Every school boy is well acquainted with the exploits of Drake, Frobisher and Hawkins in the latter half of the 16th century and the rich prizes they captured when they swooped down upon the heavy Spanish galleons loaded with their spoil of silver from the new world. He also knows the part played by this wealth of silver in Spain and England.

We all know how those four pioneering Irishmen, Mackay, Flood, O'Brien, and Fair, got rich almost over night from the famous Comstock lode, the richest deposit of silver in Nevada which is estimated to have yielded over $300 million. In fact the repercussions from the silver mines of incomparable richness which were discovered and opened up in Nevada and other western states during the '60's were felt all over the world.

Silver as Coins

Historians tell us that the art of coining silver was introduced by Croesus, King of Lydia about 600 B.C. They say that the earliest standard of value had been cattle. As you know the Roman word for money, Pecunia, is derived from Pecus meaning cattle. Of course cattle had the disadvantage that it needed attention and food and could not be carried from place to place. Then metals, since they were generally desirable and were convenient for hoarding and storing, costing nothing to keep, soon asserted their superiority over cattle. Aristotle tells us that iron was the first currency, but its obvious defects, such as weight, oxidizing quality and its difficulty of stamping or moulding soon eliminated it. Then it was that silver which was as rare as gold in early Egypt came into its own. From then on the general standard of value in the Eastern world became silver, measured by weight.

Up to the fourth century B.C. only silver was used in Greece. The source of this silver was in the mines of Laurium which were the property of the government.

In Rome beginning with copper, the currency was changed into a double standard one by the introduction of silver at about 269 B.C. The underlying cause that led the Roman State to issue silver seems to be found in the fact that silver had already become the money of its wholesale trade. The Denarius was modeled on the Drachma, the great unit of account in the Hellenic world. It was in denarii and drachmas or in some other form of silver, that what we would now call the international balances were settled.

Thus silver over the course of time came to play such an important part as a medium of exchange. Let us take a look at this precious metal. It is one of the principal elements and is found in many places, but never entirely pure, being usually mixed with mercury, gold, or copper. When it is pure, it is white, very bright and takes a beautiful polish. It is harder than gold, softer than copper and is easily hammered out into thin sheets or drawn into wire. It is the best conductor of electricity that we know of and the second best of heat. It does not readily unite with oxygen but brought near sulphur, turns black forming sulphide of silver. The reason that eggs turn silver black is because they have sulphur in them.

Silver, next to gold, is the most valued of the metals for use in the arts. But as the pure metal is too soft to wear well, it is usually hardened by mixing a little copper with it. In our coins for instance, we have nine parts silver and one part of copper. We may even make electric wire out of silver when it gets cheap enough.

The compounds of silver are very valuable. Among them are silver chloride, silver bromide, silver iodide and silver nitrate, much used in photographs, indelible ink, hair dyes and medicine. Silver nitrate is well known and much used in surgery under the name of lunar caustic.

Silver Demonetization

Silver had been used as money for over 2,000 years before it ran into serious difficulties. It first began to give trouble in the early '70's when the German Government withdrew its old silver coins and sold large quantities of silver. Immediately France and the other European countries were forced to suspend the free coinage of silver. As time went on, country after country deserted the silver standard. India stood it until 1893, when she could bear its fluctuations no longer. Japan followed soon after, then came the Philippines, the Straits Settlements and recently Indo-China. Even Mexico created a par between her silver dollar and the American gold dollar. Today, although it is not generally recognized, there is only one silver standard country of any consequence in the world. Omitting such areas as Abyssinia, Afghanistare and Arabia, China is the only country left whose purchasing power in the markets of the world is affected by variations in the price of silver, but her actions affect employment in all countries with which she trades.

As silver began to topple, the lgislators got busy and in the year of '78 an Act was passed in the United States which required the government to purchase from 20 to 41 million ounces of silver every year. The minimum amount was purchased every year, but notwithstanding these purchases the price declined during the next decade and in 1890 another act was passed compelling the government to purchase 54 million ounces a year. The effect of this, coupled with the anticipation that perhaps the next step would be the free coinage of silver, was a sudden rise in the price, which however, did not last and there was a steady decline from that time. In 1893 the Act compelling the purchase of silver by the government was repealed and ended the hope of a bi-metallic currency in the United States. From then on, except for spasmadic recoveries due to exceptional causes like the China-Japanese War and the Boxer Rebellion in China, the course of silver was downwards until the World War drove it up to unprecedented heights. Then again, when the price began to fall desperate efforts were made to arrest it.

Fluctuating Silver Prices

The main trouble with silver is that it is a commodity and the price of silver fluctuates with and very nearly parallels the price of tin, lead, copper and the other commodities. Also, the fact that about 70% of the world's production of silver is the by-product of a number of other metals. So whatever the price of the metal, this percentage must be brought to the world's markets. During the last decade many European Governments have reduced the fineness of their silver coinage, or demonetized the metal altogether and these Governments have thrown over 30 million ounces on the market every year. It is estimated that India still has some 300 million ounces left from her vast store, the result of her demonetization of silver after the war but no one knows how much of this is actually likely to come upon the market, nor at what time it may come.

With this in mind, our Government in July 1933, took a leading part in getting the leading silver countries to sign an agreement designed to stabilized the price of silver. India, China and Spain agreed to limit the amount of silver to be disposed of, while the United States, Australia, Canada, Mexico and Peru agreed to restrict production. The world production for the next three years should be about 180 million ounces per year.

Unfortunately for this country there is a certain group who think that the ills of the country can be cured by raising the general price level and they think that the best method of doing this is by artificially raising the price of silver.

Many years ago Michael Chevalier wrote, "By reason of the part which gold and silver play in all the transactions of mankind, in the contracts between States and individuals, every important change in value of gold and silver is a serious event, a sort of a revolution." Thus when Congress decided upon 25% silver and 75% of gold behind our money the mischief was done.

U. S. Silver Policy

Our Government started buying silver and aided by the speculators of the world soon had the price of silver doubled. But not before we had purchased 140 million ounces to add to our store of almost 700 million ounces. In or-

der to carry out the terms of this Act we shall have to purchase about another two billion ounces.

When you consider that the world's total stock of silver is estimated at eight and three-quarter billion ounces, you can readily see what will happen. The United States will be carrying the load for the whole world. Today, if we eliminate the speculators, the only legitimate buyer of silver is the United States Government. We are sterilizing this huge amount of silver which will hang over the market as a menace for a long time to come and if some time in the future we decide to stop buying or to sell there will be a sellers' panic and a catastrophe that will shake the entire world.

Already China has protested. Our politicians tried to make us believe that if we raised the price of silver it would enrich China and enable her to buy more of our goods. This of course is just exactly the opposite of what is actually the case. China is a silver importing nation on balance and not a silver producing country like the United States. Our extensive purchases reduced the Shanghai silver stocks by 125 millions ounces or one-fourth of their silver stores. This deprives China of her money, which is almost entirely silver and in turn tends to cause severe deflation in internal trade and industry. With the higher price for silver China now gets less silver for her goods. Our policy is tending to develop an exchange war in the Orient to bring about embargoes and trade restrictions and to set in motion new forces of disequilibrium in world trade. Regardless of whether or not the United States can shoulder the burden alone, of sustaining a permanent price rise for silver, it now looks as if we have unleashed the bonds of international monetary complications all over again.

Of course if some enterprising chemist finds a method of preventing silver from tarnishing, there will be such a tremendous demand for its use in the arts that the day may be saved. However, there is not any sign of this in the immediate future and we cannot very well count on it to solve the problem.

From the time of Hadrian, rulers have toyed with variations in the value of the silver monetary unit. They have always found out to their sorrow that interfering with the currency has raised prices at the outset, stimulating business for that reason, but the subsequent reaction in legitimate industry has been proportionately violent. All history testifies that the only gainers from a forced inflation period were the speculators.

Nothing paralyzes business more than uncertainty and until we can prevent the extreme fluctuations in our exchange we cannot remove the one great difficulty that impedes foreign trade.

In this country silver has always been a political issue. The western states, Utah, Idaho, Arizona, Montana, Nevada, Colorado and New Mexico produce all our silver and naturally advocate a high price for it. Unfortunately silver is a commodity like potatoes, corn or wheat and its price unless pegged by government subsidies or by international agreement is controlled by the law of supply and demand.

Unlike the other commodities, silver is not perishable and cannot be consumed by the purchaser. It has almost a permanent existence once it goes into circulation. Of course some of it gets lost and a certain amount is destroyed over the years but most of it remains. Some experts have estimated that since 1492 about 15 billion ounces have been mined and placed in circulation. India is supposed to have absorbed four and one-half billion ounces, China about two and one-half billion ounces, but these estimates are naturally only approximate as it is obviously impossible to guess the amount of the metal held privately.

Today the silver people of the world do not know what to expect next. There is a general feeling that the price will be forced up again by the American Government. The uncertainty surrounding the whole situation is naturally proving an annoyance to bankers and others concerned and the foolishness of buying silver at prices far above any reasonable estimate of its worth and paying for it with gold or anything else for that matter, is too evident to require comment.

China's Attitude

The forcibly expressed views of the Chinese Government have consistently been that the price of silver should be neither raised nor lowered but stabilized. China has placed a sliding tax upon the export of all silver which increases as the price of silver rises; there is talk of an embargo. Our Government should realize that its policy of bribing the silver miners of the West is the direct cause of quite unnecessary dislocation in a country which is not equipped to endure any further economic disasters and is also the last untapped market remaining in the world for those products that we produce in abundance and are so anxious to sell.

Mexico's Foreign Trade Prospects

(Continued from page 2337)

mous American war market enabled her to operate mining properties which were sub-marginal before the war, and the cessation of exports from the U. S. and Europe enabled many Mexican industries, such as textiles, to operate profitably in a newly-developed commercial vacuum in Latin America and elsewhere. Thus the rise in her exports can well be called a passive response to war-created demand and war-created market opportunities.

To some extent, Mexican imports expanded on a passive basis also, as increased exports raised the economic tenor of the country. But Mexico has embarked on a national industrialization program and the imports of capital and capital goods, as well as food, becomes a matter of national economic policy as well as one of rising standards of living.

Hence, to anticipate a bit, the cessation of hostilities leaves Mexico with the unpleasant dilemma of a large export trade which may evaporate as quickly as it materialized and a large import trade whose continuance may be necessary to her industrial development.

Dependence on the United States

Mexican trade, long largely dependent on the U. S. as its principal customer and supplier, has become almost exclusively tied to this country as a result of the war. While in 1938, the United States supplied 50% of all Mexican imports and bought 60% of her exports, in 1946, we sold 82% of Mexican foreign purchases and took 84% of her foreign sales. The rest of Latin America accounted for most of the balance in both categories.

It is principally with the United States, then, that Mexico must adjust her trade relations in order to settle her economy.

The Composition of Mexican Foreign Trade

Mexican foreign trade should be analyzed by three major categories—merchandise, tourist receipts, and precious metals.

On merchandise account Mexico shows a traditional deficit. Her principal exports to the U. S. are shown below:

U. S. IMPORTS FROM MEXICO

	1937 Millions of $	1937 % of total	1945 Millions of $	1945 % of total
Animal products (edible & non-edible)	5.2	9.4	27.1	11.8
Vegetable products (edible & non-edible)	18.3	33.2	75.8	33.0
Textiles	10.2	18.5	47.5	20.8
Wood and paper	.5	1.0	6.7	2.9
Non-metallic minerals	6.0	10.8	6.7	2.9
Metals & manufactures	11.8	21.4	56.6	24.6
Machinery and vehicles	.1	.3	.3	---
Chemicals	.8	1.4	4.3	1.9
Miscellaneous	2.2	4.0	4.9	2.1
Total	55.1	100.0	229.9	100.0

It can be seen that Mexico supplies the United States on merchandise account with a line of raw and semi-raw materials, food and textiles, the proportions of which even the war has altered but little, although its total value has quadrupled.

Inversely, the U. S. supplies Mexico primarily with machinery, vehicles, industrial products and the like. Machinery and vehicles alone account for roughly a third of all U. S. exports to Mexico.

Traditionally, Mexico has been a debtor on merchandise account alone. The excess of prewar imports over exports has ranged from a high of $49 millions in 1937 to a low of $4 millions in 1931, while in 1932 only, she was a net exporter of goods, to a value of $5.5 millions.

The second main category is American tourist expenditures (and remittances of Mexico croppickers) plus shipping, etc. This item has traditionally been in Mexico's favor, ranging in prewar years, from a low of $23.4 millions in 1933 to a high of $41.3 in 1930. Tourist expenditures account for virtually all of this invisible export.

The third category of Mexico's foreign trade consists of shipments of gold and silver. Mexico is the world's largest silver producer and sixth largest gold producer which accounts for the magnitude of this item. Between 1929 and 1938 it ranged from a low of $21.9 million to a high of $78.2 million. Since Mexico has great precious metal mines, this does not represent a capital outflow as much as a commercial export.

Traditional Balancing of Payments

Mexico from 1929 to 1938 had a favorable balance of payments with the U. S. as the figures in the accompanying table show.

It is apparent that tourist expenditures and gold and silver sales are the critical elements which have enabled Mexico to accumulate dollars while buying more goods from the U. S. than she sold in return.

MEXICAN BALANCE OF PAYMENTS WITH THE U. S.

(Millions of dollars)

	1929	1932	1935	1936	1937	1938
Net receipts from:						
Merchandise a/c	—16	6	—23	—27	—49	—13
Tourists, shipping, etc.	29	30	28	34	39	39
Gold and silver	41	31	72	70	69	78
Total	53	66	77	77	58	104

Mexico's Present Foreign Trade Position

The war and the world shortage of goods at present have expanded and maintained Mexico's foreign trade, but done little to alter its composition, components or direction.

The high level of economic activity in 1945 was reflected in exports of $242 million—27% above 1944—and imports of $329 million—19% over 1944. For the third time in her history a deficit trade balance was reported, although less than the $104 million adverse balance of 1944.

For the first four months of 1946, U. S. exports to Mexico are running at a rate even higher than 1945. The monthly rate for the first third of this year was $34 million, compared with $27 million last year and only $7 million during 1936-38.

Similarly, imports are now at a record high, the first four months of 1946 averaging $21 million, as against $18 million last year and $4 million in the 1936-38 period.

At this rate the adverse balance on merchandise account is apt to run to $150 millions. This large debtor balance will have to be covered by tourist expenditures in Mexico and by gold and silver shipments. A glance at these two balancing items shows that Mexico's immediate position will not be too difficult.

Current reports have Mexico's tourist trade running at 30 to 50% over prewar figures and with the difficulties of travel abroad plus a large U. S. consumer income level this may reasonably be expected to rise still further. Mexico is paying much attention to the tourist trade and endeavoring to encourage it.

Shipments of gold and silver are entirely dependent on U. S. fiscal policy. The $35 an ounce we pay for gold is considerably under the world "free market" price for gold but there seems little likelihood of any change in the U. S. price. Silver prices, even more important to Mexico, are more of a political football. A recent rise in the price of foreign silver to 90 cents is estimated to net Mexican mines over $20 millions, most of which will go to the government and the mine workers. Also the price rise has enabled the Mexican government to remove its subsidy to the mine operators. These predictions allow a preliminary estimate to be made of Mexico's trade balance for this year.

Since Mexico is estimated to have over $400 millions in Treasury gold and dollar exchange and since the above takes no account of capital flows into Mexico, it can be seen that Mexico faces no immediate problem in meeting its foreign trade obligation.

Merchandise account	—$150,000,000
Tourist receipts (at 1945 levels)	60,000,000
Silver and gold sales (1936-38 avg. plus $10,000,000)	100,000,000
Capital repayment due U. S. on petroleum account	—4,000,000
Net total	+$6,000,000

The Long-Run Foreign Trade Problem

Although the present outlook for foreign trade presents a reassuring picture Mexico's long-run position is more precarious. Usually exports are the dynamic factor in a country's foreign trade activities while imports move passively in response to export-generated levels of demand. The recent Mexican industrialization program has somewhat changed this picture. Mexico today is committed to a program of construction aimed at integrating her backward-looking agriculture and her forward-looking industry into a self-sufficient modern industrial nation. This program necessitates large and continued imports into Mexico, both of capital and capital goods, in addition to which she must continue to import food until agricultural self-sufficiency is attained.

In order to finance the required volume of imports, Mexico must maintain her exports. It is here that the basic problem lies. Her tourist receipts seem assured. But her silver markets, which have been rescued by the U. S. foreign silver price rise, may again be plunged into an unfavorable position by a reversal of U. S. policy.

The petroleum industry has shown signs of revival during early 1946 but the underlying distributive situation had deteriorated seriously by the end of 1945 and must be straightened out before the oil industry can be assured of a successful future.

In his report to the Mexican Congress, President Cardenas called the mining industry "not prosperous" as recently as September 1945. The rise in the price of silver has temporarily brightened the skies for Mexican producers but an investigatory committee has been appointed to probe into the over-all efficiency and profitability of the mines in order to determine what national policy towards them should be.

Likewise, Mexico's industries—textiles, footwear, chemicals, iron and steel and so on—fear the day when they must again meet foreign competition from more highly industrialized countries—competition which threatens not only to rob them of their export markets but which menaces their domestic territories as well. Mexico has undertaken to protect herself against this danger by raising tariffs on products manufactured by her "new" and "essential" industries, and by the reimposition of import controls on certain commodities.

The underlying problems facing Mexican exports are: (1) the relation between domestic and foreign price levels; (2) the rate at which the leading manufacturing nations of the world resume their export activities; (3) the speed with which her own economy can reach the "break-even" point of self-sufficiency.

In the short run Mexico's price inflation of over 100% above 1941 levels will not seriously hamper her in a world in which price is of less importance than goods, themselves. What the situation may be in two or three years is another matter. By that time the mass production factories of the world should be turning out goods full blast and price levels throughout the world should have been lowered while prices resume their normal selective function. Certainly Mexico will gain if she is somehow able to complete a large part of her industrialization program with its large necessary imports of capital goods before that time will have arrived. Naturally, capital loans from abroad will greatly ease her immediate requirements for foreign exchange, but they will not alter the long term outlook in which Mexico with a half-finished or just-finished industrial development will have to meet the competition of the rest of the world.

International Employment Policy

(Continued from page 2337)

thorities on all forms of capital development.

(b) The use of taxes and subsidies in such a way as to vary the total purchasing power at the disposal of the individual members of the community, or to vary the financial incentive to spend money on goods and services of all kinds.

(c) The control of credit through monetary policy, devised to make supplies of money more plentiful and the terms of borrowing easier during those periods when it is desired to stimulate expenditure.

2. The success or failure of a particular national government (and in particular the government of a rich and highly developed country whose demand for goods and services exercises a large influence in world markets) in maintaining its domestic demand at a high and stable level, is a matter of keen interest to the other nations of the world. If a domestic slump in demand of any magnitude develops in such a country, its demand for imports will fall off. Moreover, the decline in its money prices and costs which will probably accompany such a slump will cause its exports to compete on cheaper terms with the goods of other countries. Other countries will thus find that the demand for their exports declines and that, in the absence of special measures, their domestic industries have to face increased competition from cheaper imports. To some extent, these adverse effects may be offset by the advantage which the outside world will reap in having to pay less for its imports from the country which is the focus of depression. Nevertheless, on balance, depression and unemployment in one country tends to give rise to depression and unemployment in other countries. Unemployment which is "imported" in this way, *i. e.*, which originates in a decline of demand abroad, is often particularly difficult to offset by domestic measures, partly because it is difficult to predict and forestall, and partly because it may affect in the first instance export industries for which it is not easy to arrange an adequate alternative outlet on the home market. Much will depend on the character of the particular industries affected, but in general it may be said that while it may be possible to prevent the depression from spreading from the export industries to the industries which cater for the home market, it will seldom be possible entirely to prevent the emergence of unemployment in the export trades themselves.

3. It follows from this that to undertake measures for the maintenance of the general level of domestic demand for goods and services is a duty which each government owes not merely to its own nationals, but to the world as a whole. Accordingly, it must be a basic element in any international employment policy to secure from governments—particularly the governments of the main trading nations—an unambiguous recognition of their international responsibility in this regard.

4. A country which does not maintain employment domestically is likely to exert a deflationary pressure on other countries through the abnormally favourable balance of payments which develops as a result of a decline in its demand for imports relatively to its exports. Such a deflationary pressure may, however, also be caused by a country which is not actually experiencing serious unemployment. For example, a country may be persistently buying from abroad or investing abroad appreciably less than it is selling abroad. Indeed, the excess of its sales of exports in other markets may be the means whereby it is maintaining its own employment. This is, however, likely to exercise a deflationary pressure on other countries and to intensify their problem of maintaining their own employment. For this reason it is suggested that countries should undertake an obligation to take measures to correct any persistent fundamental disequilibrium in their balance of payments, where an abnormally favourable balance is exercising a deflationary pressure on other countries. What particular measure should be adopted (*e. g.*, the stimulation of imports or the removal of special encouragements to exports, an appreciation of the country's exchange rate, an upward revision of its internal price and cost structure, an increase in foreign investment, etc.) should, of course, be left to the country concerned to determine.

5. In addition, something can be done to promote effective domestic measures for full employment by an organized interchange of information about the nature, scale and timing of those measures. The Economic and Social Council of the United Nations, together with its Economic and Employment Commission and the Employment Sub-Commission of that Commission, in consultation with the specialized agencies concerned, will provide a suitable organization (in the terms of the United States "Proposals for Consideration by an International Conference on Trade and Employment") "for the collection, analysis and exchange of information on employment problems, trends and policies" and for enabling nations to consult regularly on employment problems.

II—The Protection of a Country's Balance of Payments

6. The adoption of effective domestic measures for the maintenance of full employment is the essential basis. If all important countries adopted effective policies of this kind, no international depression need ever develop. Everything should, therefore, be done by international pledge and by international consultation to promote the adoption of effective domestic action. But it would be foolish to plan ahead on the assumption that such action will be 100% effective. In so far as it fails, the countries which do adopt effective domestic measures for the maintenance of their internal demand are likely to be faced with balance of payments difficulties, since the demand for their exports will fall while their demand for imports will be maintained.

7. The Articles of the International Monetary Fund and the principles upon which the proposals for an International Trade Organization are based leave open a number of ways in which a country whose balance of payments was thus adversely affected might meet the situation:

(1) It may, so far as its domestic level of employment is concerned, offset the adverse movement in its balance of trade by some domestic expansion (for example, of home investment programs) and meet the adverse balance of payments either by lending less abroad than previously, or by borrowing more. The proposed international arrangements do nothing to discourage such action, which would make a definite contribution to the problem of world depression, since the country in question would be maintaining its own demand for other countries' goods in spite of the decline in the other countries' demand for its goods. A country may, however, not be in a financial position to adopt this solution, or may not be prepared to adopt it, since it might intensify its own domestic problems of maintaining employment. for such countries alternative solutions are open.

(2) The adverse movement in its balance of payments may put it in a "fundamental disequilibrium." In this case it may depreciate its currency in order to maintain stability in its domestic prices and incomes in spite of the fluctuation in external prices and incomes: and—what is of equal importance—this depreciation could not be offset by those members of the International Monetary Fund whose balance of payments had become more favorable.

(3) Since it would be in balance of payments difficulties it would be free to impose non-discriminatory restrictions on its imports from all sources, and—what is of equal importance—the other members of the International Trade Organization whose balances of payments had become more favorable would not enjoy this freedom.

(4) If the pressure from the countries where a depression has developed is so strong as to cause the currencies of those countries to become scarce, it may restrict imports from those countries without restricting its imports from other "full employment" countries.

8. A country which needs to protect its balance of payments will have an unfettered right to undertake certain of these actions. For example, it will be able, without question, to cease lending abroad if it were already doing so, to depreciate its currency by 10%, and to make certain use of its borrowing powers with the International Monetary Fund. It will also have a right in such circumstances to impose non-discriminatory restrictions on its imports, although the exact form of the "criteria and requirements in the light of which balance of payments restrictions might be imposed" remain to be determined. In other cases its right to take action will be contingent: either upon the nature of the pressure on the balance of payments as determined by certain objective criteria or by the judgment of an international body (for example, the imposition of discriminatory import restrictions will depend upon whether the Fund has run out of its supplies of a particular currency, while the right to depreciate the currency beyond a certain point will depend upon agreement with the International Monetary Fund that the country in question is in a "fundamental disequilibrium"); or upon persuading an international body to take some action which is entirely at the discretion of that body (for example, increased borrowing through the medium of the International Bank for Reconstruction and Development, or the International Monetary Fund. will depend upon the decision of these organizations respectively).

9. The choice between the various alternative methods enumerated in paragraph 7 above, must depend largely upon the particular circumstances of each case. Moreover, there is no reason to believe that in each particular case absolute reliance must be placed upon one single method. It may well be that a combination of methods would and should be used. For example, it might be appropriate that a particular country which is maintaining a domestic full employment policy and in consequence is threatened with balance of payments difficulties should protect its external position partly by lending less abroad or by borrowing rather more from abroad than normally, partly by a moderate depreciation of its currency (particularly, if such a depreciation is judged to be necessary for its long-term equilibrium) and partly by some restriction of imports.

10. The above paragraphs should make it clear that under the Articles of the International Monetary Fund and of the proposed International Trade Organization there will already be powerful safeguards for the protection of countries' domestic employment policies in times of world depression. It has been suggested that, in addition to the safeguards enumerated above, there should be some special arrangement whereby a country might be released from some of its commercial obligations under the International Trade Organization if serious strain was being imposed on its economy by reason of a failure on the part of another country or group of countries to maintain their purchasing power. It is, however, difficult to pass a final judgment on this issue until the probable scope and form of the commercial obligations under the proposed International Trade Organization are more clearly seen.

11. The United Kingdom delegation would accordingly propose that a decision on this particular issue should be postponed until progress has been made with the examination of the commercial obligations of the proposed International Trade Organization and those special exemptions and relaxations (such as the use of import restrictions by countries in balance of payments difficulties) which are likely in any case to be included. Some reference is, however, made below (see paragraph 31) to the way in which a special "escape clause" from some of the commercial obligations on "employment policy" grounds might be operated, if such a clause were ultimately judged to be necessary.

III—Direct Action by International Organizations

12. In the present stage of international economic organization, the direct action necessary to maintain the total world demand for goods and services at a high and stable level must, in the main, be the sum of individual national efforts. Nevertheless, it would be a mistake to assume that even in present conditions the direct action which can be taken to influence total world demand by existing or proposed international organizations need be negligible. In the present infancy of these institutions it would probably be unwise to overload them with specific duties which in any case will remain irrelevant during the present period of shortages. But an examination of the possibility of the action which they might take with their present powers when the time comes suggests that their direct contribution might be really appreciable.

The Stabilization of the Incomes of Primary Producers

13. In recent years considerable attention has been paid to measures designed to stabilize the incomes of the producers of primary products. Such measures have a direct relevance to the problem of full employment. The incomes of primary producers represent a large proportion of the total world purchasing power and the stabilization of these incomes would accordingly make an appreciable contribution to the problem of maintaining a high and stable level of demand for goods and services in general. A major cause of slumps in the markets for primary products is the reduced level of demand for raw materials and foodstuffs which results from a depression in the highly industrialized countries of the world and it is probably true that the problem of stabilizing the markets for primary products cannot be fully solved in the absence of effective policies for full employment in such countries. Nevertheless, it is equally true that direct action taken for the stabilization of the incomes of primary producers would itself make an appreciable contribution towards the problem of stabilizing the demand for manufactured products.

14. A method which is particularly relevant from this point of view is that of Buffer Stocks. In those cases in which on grounds of finance, administration, storage, etc., a Buffer Stocks arrangement is considered practicable, their stabilizing effect from the point of view of general employment policy constitutes a powerful additional argument for their institution. They stabilize producers' incomes without restrictionism. They take surplus supplies off the market and maintain producers' incomes when demand is deficient, and they increase supplies and prevent excessive price increases when demand threatens otherwise to be excessive.

15. It is appropriate, therefore, that in considering the problems of commodity policy, to which a special chapter of the United States "Proposals for Consideration by an International Conference on Trade and Employment" is devoted, due weight should be given to the advantages, from the point of view of Employment Policy, of such measures for the stabilization of the markets for primary products.

International Public Works

16. There is one form of capital expenditure which can only be organized on an international basis, namely works, the benefit of which will accrue to a number of different States, or which require for their execution combined action by a number of States, and which, for one or other of these reasons, no single State has an adequate incentive, or adequate power, to carry through. Such projects are to be found primarily in the sphere of international communications—roads, railways, canals, and river valley development.

17. Much capital development may also require international finance; and it is, therefore, a matter for consideration whether in any arrangements made for the international finance of capital development due regard should not be paid consistently with the other relevant considerations, to the timing of such projects from the point of view of the international employment situation.

18. There are already some international agencies which are concerned with these matters, such as the Development Sub-Commission of the Economic and Social Council and the International Bank for Reconstruction and Development. The Food and Agricultural Organization is interested in agricultural development in certain areas, and it has also been proposed that the International Trade Organization should take a special interest in the industrial development of less developed countries. The international agencies concerned might accordingly be invited to study this problem.

Synchronization of National Credit Policies

19. Credit policy seeks to influence the level of investment expenditure, economic activity and employment by causing variations in the supply of money and in the terms of borrowing. Since the supply of money is in each country under the control of national monetary authorities, international action to bring about credit expansion or contraction is bound

to be more or less indirect. It may, however, be possible to do something to synchronize national credit policies.

20. Less emphasis is laid nowadays upon this as an element in international employment policy than was formerly the case. Possibly this is because the control of international capital movements is now regarded as being a more effective means of attaining the main objective of the synchronization policy (*i.e.*, to prevent countries from being deterred from taking early action to expand credit and reduce interest rates during a world slump by the fear that an export of capital to other countries where similar action had not as yet been taken would endanger their reserves).

21. It is possible, however, that the importance of the coordination of credit policies is currently somewhat under-estimated. Complete control of capital movements is difficult even in the countries with the most effective administrative machines; in other countries it may be impossible to operate a really effective capital control; and such control is in any case powerless to prevent a cessation of the inflow of capital in the case of countries which are normally capital importers.

22. There is at present no formal international arrangement for harmonizing the interest rate policy of different countries. The circumstances which determine what is, at any time, the appropriate policy to pursue with respect to credit control and interest rates are so complex that action cannot be reduced to rule or written into an international agreement. Progress in this sphere will therefore be best achieved by consultation between monetary authorities. For this the International Monetary Fund might offer a suitable meeting ground.

23. In addition to this, the Fund should be consulted as to other ways in which, when the time comes, it could influence the general terms of credit.

Control Over International Capital Movements

24. As was argued in Paragraph 2 above, any general depression starting in one country or group of countries is likely to lead to a reduction in the exports and an increase in the imports of other countries. This, in itself, as was pointed out, will tend to give rise to unemployment in the countries adversely affected. But in addition to this, the adverse trade balance would tend to deplete these countries' monetary reserves and, if these are inadequate to stand the strain, they would be under pressure to pursue a deflationary policy which, at the cost of accentuating depression and unemployment at home, would help to restore exports and reduce imports and rectify the balance of trade. If, on the other hand, as would, of course, be desirable, they were to pursue the opposite policy of expanding expenditure at home to mitigate the unemployment resulting from the depression abroad, this action would accentuate their balance of payments difficulties. One way of meeting these difficulties would be to finance the trade deficits of the "full employment" countries by increasing the export of capital from the countries in which the depression was developing, while diminishing any export of capital from—or increasing any import of capital to—the other countries.

25. As is explained in the preceding Section, there are alternative ways of meeting these balance of payments difficulties. Nevertheless, if in times of depression any country is prepared to maintain its own domestic demand and to allow its demand for imports temporarily to exceed its exports, it should be given all reasonable encouragement to do so, since it will be making a positive contribution to the world problem of maintaining the demand for goods and services. The International Monetary Fund and the International Bank for Reconstruction and Development should be asked to consider to what extent and in what way, consistently with their other responsibilities, they can make a contribution in this regard.

26. It is not, of course, suggested that the International Bank or the International Fund should promote the international flow of capital as a permanent means of meeting the balance of payments difficulties of countries which are in a more or less chronic position of "fundamental disequilibrium." In such cases long-term equilibrium can be restored only by an adjustment of exchange rates or of similar underlying factors.

IV— The International Agencies

27. The above paragraphs lead to the conclusion that responsibility for the successful prosecution of an international policy for full employment cannot be allocated to any one specialized agency alone. It is important that this responsibility should not be allocated to the proposed International Trade Organization. It would be economically unsound to suggest that the reduction of trade barriers will of itself guarantee high levels of employment. It is true, of course, that the expanded market for its exports which a country may hope to enjoy through the reduction of trade barriers in other markets will lead to an expansion of employment in its export industries. But if this country has at the same time to reduce its own barriers against imports, increased imports will flow into its territory; and these increased imports are just as likely to raise unemployment in its industries which compete with imports as the increased exports are to reduce unemployment in its export industries. The fundamental advantage of more liberal international trading conditions is not so much that it will give a greater volume of employment all round, but that it will raise output per head all round by allowing each country to concentrate more on the production of those goods and services which it is relatively most fitted to produce. The fundamental feature of an international employment policy must be to superimpose upon a more liberal international trading policy (which is required for these different reasons) a general nexus of national and international policies specifically designed to increase and maintain the total demand for goods and services in periods when widespread economic depression threatens. We must not get into the position in which it is assumed that, if trading conditions can be liberalized, employment will thereby automatically be maintained. The maintenance of employment, on which all our hopes for a permanent liberalization of trading conditions must ultimately rest, requires separate and positive action.

28. What is required (in addition to a recognition by national Governments of their international duty to adopt domestic policies for the maintenance of full employment) is: first, action of many different kinds by a number of different international specialized agencies on the lines summarized above; and, secondly, some international coordinating body which can provide a center both for the exchange of information about domestic problems and policies for full employment and also for the coordination of the activities in this field of the various international specialized agencies.

29. The functions assigned to the Economic and Social Council of the United Nations clearly indicate it as the appropriate body to perform this second function. Working through its Economic and Employment Commission and the Sub-Committees of that Commission in collaboration with the specialized agencies concerned, the Economic and Social Council should perform the following functions:

(i) The organized collection, analysis and exchange of economic information relevant for the study of the trends of employment throughout the world;

(ii) The organized interchange between national Governments of information about domestic employment problems and policies;

(iii) The coordination of the work of the international specialized agencies in this field; and

(iv) The summoning where it deems desirable of special international conferences.

30. If this argument is correct, there is much to be said for the view that there should be a comprehensive convention covering international employment policy. Such a convention might either take the form of a separate convention (signed at the same time and by the same countries as the articles of the Trade Organization) or form part of a general convention which would also establish the International Trade Organization and contain the specific articles of agreement of that organization. Draft passages on employment for inclusion in such a convention are contained in Annex A.

31. There remains the organizational problem of the application of any special "escape clause" from certain of the commercial obligations of the proposed International Trade Organization, in the case of a country whose employment policies were being seriously endangered because another country or group of countries did not maintain their external purchasing power. As has been stated in paragraph 11 above, the necessity for such an escape clause cannot be decided now. But if it were required, it is suggested that it might be treated in the following way. A member of the International Trade Organization which considered that its domestic policies for full employment were being prejudiced in this way could apply to the International Trade Organization to be released from certain of its commercial obligations. There would have to be a special clause in the articles of the International Trade Organization enabling that organization to grant such a release, limited in scope or in duration in any way which the organization considered appropriate. The International Trade Organization would be obliged in this event first to seek the opinion of the United Nations, through the machinery of the Economic and Social Council, and after consultation with the specialized agencies concerned, whether the domestic employment policies of the complaining country were, in fact, being prejudiced because the country or group of countries concerned were not maintaining their external purchasing power, and whether the other safeguards open to the complaining country did not already give it adequate and appropriate protection.

32. If this type of escape clause were considered necessary, the convention covering International Employment Policy would have to contain a clause requesting the United Nations to undertake this duty. Such a clause is included at the end of Annex A.

Menace of Restricted Securities Markets

(Continued from page 2339)

tural community to one of the greatest industrial centers of America. Mindful of the opportunities presented by the energy and ability of your people, venture capital has poured in upon you in an unceasing torrent. It has made possible your motion picture and airplane industries, and has contributed materially to your other endeavors. You have grown, you have prospered, and you have visions of yet greater growth and prosperity. But do not forget that the realization of these ambitions will be shattered should venture capital be denied you. And you will be denied if regulations prevent the proper conduct of free markets for the securities of your enterprises.

Marketability of an investment provides a prime incentive for the willingness to invest. It is marketability which has been increasingly impaired by governmental regulations, and has made investment more timid and uncertain. No better illustration could be supplied than that recently furnished by our securities markets. They have been unable to absorb liquidation in an orderly fashion. Restraints imposed both by the Federal Reserve Board and the Securities and Exchange Commission have transformed our highly organized and smoothly functioning financial mechanisms into small engines of insufficient power to cope with the enlarged requirements of today. They can no longer perform their proper functions.

Members of the Exchanges do not ask to be freed from proper and intelligent regulation. They fully recognize and accept their responsibilities as the custodians of a public trust. They are not freebooters, who seek to enrich themselves at the expense of those whom they represent. They are an earnest, intelligent, honorable group of men, sincerely devoted to the welfare of our Nation and the preservation of the ideals upon which it was founded. They believe this welfare may be best promoted by the preservation of our system of individual enterprise. They know that enterprise may prosper only through the continued existence and growth of corporate entities, both large and small. Large corporations may continue and small corporations may grow and expand only if markets for their securities are available. These markets should be regulated by public authority. But such regulation should devote itself to making our markets more liquid, more flexible, and more responsive to the needs of investors. To choke these markets by bureaucratic prohibitions of an unnecessary and improper character is to drain from industry its life blood of capital.

Progress of Self-Regulation

The Exchanges themselves have made vast progress in the direction of self regulation. The New York Stock Exchange, which we of The Association of Stock Exchange Firms represent, has assumed a position of leadership in this respect. The operations of its member firms are subjected to the most rigid supervision and scrutiny, and any act detrimental to the public interest is summarily and severely punished. Through its advertising program the Exchange is emphasizing the necessity for knowing the facts before making a security purchase; and, that in any investment, there must be the element of risk. Investment and risk are inseparable regardless of the nature of the investment. It is only through intelligent investment, combined with the availability of free and open markets, that risk may be minimized and capital and industry preserved. These are the principles for which the New York Stock Exchange stands.

As representative business men of Los Angeles you know that business of every nature has been subject to governmental restraint. But these restraints were born of war. With the return of peace they are being removed one by one. While those remain who would continue government as the overlord of us all, we are slowly but surely fighting our way back to responsible economic freedom. You welcome this relief. You rejoice in the prospect of again enlarging your services. You breathe air made more pure by the removal of the taint of bureaucracy.

And we in the securities industry likewise have hope. New blood has been injected into the Securities and Exchange Commission. Its Chairman is a man for whom we entertain respect. Under his guidance it is our belief that Exchange regulation will be less dogmatic and autocratic; that he will administer the law in its true spirit and letter by giving effect to the will of Congress, rather than to the whims of political appointees. The members of our other regulatory body, the Federal Reserve Board, cannot endure forever, and perhaps the day may come when those of clearer vision for our country's welfare will pervade its councils. I express these hopes from no selfish motive. As with all men, I seek a profit, but I know that profit and prosperity can come to none of us save through the continued growth and expansion of our nation.

Free securities markets are essential to that growth and expansion. They are the cornerstone of our future.

Magid Director

Samuel E. Magid, of Shore-Acres, Mamaroneck, has been elected a director of General Products Corporation of New Jersey, and Seaboard Fruit Co., Inc., New York City, it was announced today. Mr. Magid is Vice-President of Hill, Thompson & Co., Inc., and is a director and member of executive committee of Empire Steel Corporation, Mansfield, Ohio; Vice-President, Chairman of executive committee and director of American Sealcone Corporation, New York City; Vice-President, Treasurer and director of Tungsten Alloy Manufacturing Co., Inc., Newark, N. J.; director of Richmond Ice Co., Richmond, Va., and serves on the boards of a number of other corporations. Mr. Magid was one of the organizers and is now Treasurer and a member of the Board of Governors of the Hampshire County Club, Mamaroneck.

Samuel E. Magid

Harold W. Reinsch With Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Harold W. Reinsch has become associated with Coburn & Middlebrook, 37 Lewis Street. Mr. Reinsch has recently been serving in the armed forces. Prior thereto he was with Turner, Sachs & Co. for a number of years as cashier.

The Menace of Rising Unit Costs

(Continued from page 2338)

for management, for labor, and for the public interest. In short, it determines where we go from here, whether we shall continue to progress toward a still better national life, or whether we shall go backward.

It is vital because time is running out.

For industry on one side and organized labor on the other are the two greatest forces in our country today. If they continue toward what seems an inevitable clash of the irresistible force and the immovable object, we shall certainly see, for this country, an unprecedented social explosion.

This explosion would be an overwhelming demand on the part of the public for regulation of both contestants, by an arbiter powerful enough to control two such forces. There is but one such powerful arbiter—government—and the end result, no matter what name such government control would be given, is socialism.

This is the issue we face and no matter how little we like it, we will do well to admit it candidly and fearlessly. For by so doing, we shall understand the penalties of failure, and the rewards of success. This is equally true for management and for organized labor, and if both will frankly admit this alternative, they will have established the first basis for understanding. For both stand to win or lose together.

And now let us examine some of the problems of these two great forces. We who speak for management—and that includes you foremen and supervisors — know well the perplexing problems created by shortages of materials, by high taxes and declining dividends, by current operating losses, by high labor turnover and low efficiency. These are problems we all know, and to some degree, understand.

But there is another more serious and more vexing problem about which many of us know too little. It is an index that can point to economic disaster, so it is worth our while to consider it for a moment. This index is the unit labor cost. It is a cause for alarm now because unit labor costs in manufacturing industries generally are running more than 50% above 1939.

We have become so accustomed to a rising standard of living in the United States that we take it for granted. We are now facing the possibility, if not the probability, of a long reversal in those factors that have made our standard of living what it is. These new trends are rising unit costs caused by wages and salaries rising faster than production per man hour. The recent practice of paying for wage increases on time —by borrowing against future improvements in productivity to pay current wages and salaries—is a new technique that will confirm and accelerate this trend.

One of the basic principles of economics that we need to remember is that economic progress depends primarily on the production of goods. Our American standard of living—the increasing per capita consumption that we take for granted — depends on increasing production per person and, more accurately, on the increasing production and exchange of goods per person. I need not emphasize this point for this audience. The labor statesmen are beginning to preach more production and more efficient production as the prerequisite for higher wages.

Increasing production and exchange per person depends primarily on a decreasing unit cost for the goods that are produced. You all know this and I need only remind you of it. What I wish to stress is the related fact that unit costs in American manufacturing have been rising since 1933 and that this trend has greatly accelerated since 1941 and again since the autumn of 1945. This is the dangerous condition we face today.

Unit labor costs have risen before in our history, but only for a few years at a time. Unit labor costs did continue to rise for six years during and following World War I. They more than doubled from 1914 to 1920. Costs continued to rise for nearly two years following the war. But this dangerous trend was reversed by the unfortunate deflation of 1920-21.

Unit labor cost is one of the basic economic factors in our industrial system that has been too much neglected even by the economic textbooks. Unit labor cost is a very simple relation between labor cost per man hour and production per man hour. The composite wage salary rate per hour divided by the average number of units of production per man hour is the unit cost. The market prices of manufactured goods tend to go up and down with unit labor cost.

No industry, no matter how strong and robust its constitution, can stand up against the infection of high unit cost. American steel, automobile, and electrical industries can become "distressed industries" over the years, just as surely and for the same reason as the steel, coal, and textile industries in Great Britain have become distressed industries over the past 30 years.

Nevertheless, if private industry is permitted to function without too much interference and with understanding, support and encouragement from government and unions, this war-born decline in efficiency and production can be reversed! But, if it is not reversed, America will have taken a road leading to lower living standards — unfamiliar in this country — but all too familiar under other economic and political systems.

But there is no need to incur this economic stagnation, this creeping paralysis, and ultimate poverty if American industry is permitted to work out its own salvation. It can produce the leaders to meet and defeat this challenge, as it has always done before. For in spite of our difficulties there is no reason to be pessimistic concerning the future of industry. The causes and remedies of our present problems are within our own experience. No new and unknown disease confronts us. We passed through similar troubles after World War I.

Now that we have reviewed some of the problems of management, it seems to me fair that we look on the other side of the fence. We know what our problems are, but what of the men who work in our plants? Let's for a moment look at them as individuals, not as union members or machine operators but as people just like you and me—people who have families, homes and ambitions. For, if we are to find the solution to our present problems, it will be by working with men like these who are, after all, members of our own team. We must never forget that their interests, economic and personal, are no less important to them than are our interests to us.

Labor relations, it sometimes seems to me as an observer, frequently hit a snag for the reason that management at times fails to appreciate fully what labor is thinking. Elmo Roper, widely known for the polls he conducts for "Fortune" magazine, reported after one such poll that he concluded labor wanted the following: (1) security above anything else; (2) a chance to advance; (3) to be treated like a human being, and (4) to feel important.

The "Reader's Digest" made a survey some time ago in which it found that employes' complaints against management were: (1) failure to be treated as a human being, instead of a machine, and failure to be considered as a "partner" in the enterprise; (2) inability to get advancement; (3) a feeling management was trying to keep labor from earning enough pay; (4) resentment against foremen or other supervisory people based on charges of incompetence, favoritism, and petty tyranny; (5) the feeling that management fights against unions, never cooperating with them; (6) simple physical discomforts, such as unsanitary comfort rooms. Whether these complaints are justified or not is beside the point. What is important is that if the people in our plants think these things, they will react accordingly.

One of the other complaints mentioned in this study was the failure of management to make any intelligent effort to tell its employes its own side of the story.

I would like to emphasize that these are not complaints advanced by practiced union leaders but that these things that working men want are the result of independent surveys by two organizations without any connection or mutuality of interests. Yet note that in both of these surveys the working man says that one of the things he wants most is to be treated like a human being and not a machine. (And most seriously and earnestly I would like to emphasize to those in labor that management also are human beings and also want most to be treated like human beings.) Here, it seems to me, is the key to the greatest problem of our time, whether we are thinking of nations or industry. It is the cry of the individual to be heard, to be recognized, to be appreciated. It is, in short, the study of human relations, the new science in which we must make as much progress in the next generation as we made in the last generation in the physical sciences if we are to find the solution to the problems of world peace and prosperity.

Dr. Raymond B. Fosdick, President of the Rockefeller Foundation, recently stated this problem in this way:

"We are discovering the right things in the wrong order, which is another way of saying we are learning how to control nature before we have learned how to control ourselves."

The confusion in our national and international thinking points definitely to the conclusion that we have no rules to guide us in the matter of human relations. As human beings we do not know how we should behave. The merits of one nostrum after another are proclaimed from the printed page and over the air. We know instinctively that there is something wrong—but we don't know what it is. We are confronted with advocates of communism, socialism with its appeal to the herd instincts, democracy with power vested in a vague ruler called the people, and straight-forward dictators.

The eagerness with which all matters pertaining to human relations and human beings are debated is strong proof of our ignorance of the laws and rules governing us. We need desperately to define the true formula for living, to develop a true science of human relations, and to understand that our hopes for a better world, for a better and happier nation, and for the better life which is the goal of everyone, rests on the interdependence of nations and of individual men.

Mr. Gwilym A. Price, President of the Westinghouse Co., said in a recent talk that interdependence is both cause and effect of civilization. Civilized man is interdependent man. Each advance of civilization has accentuated interdependence, has further complicated the relationship of the individual to his environment, to other individuals and to society as a whole.

Each of us knows that a crop failure in the Argentine makes children go hungry in Holland, that a shortage of steel scrap delays delivery of the postwar automobiles and refrigerators, just as we know that only the best of human and industrial teamwork could produce our country's great wartime machine or can enable us to return to peace-time prosperity and contentment.

We know these facts, but do we recognize them clearly as facts which must govern all that we say and do? When men and nations fail to recognize them and to act accordingly, we have war, domestic conflict, confusion and disaster. When there is general understanding of these facts of modern living, and action in harmony with that understanding, we shall have fair dealing and good will among men.

We have recently observed the one hundredth anniversary of the birth of George Westinghouse, a man who did far more than his share to make life easier, more comfortable and more productive for his fellows. Westinghouse, Thomas Edison and the other giants of that day advanced civilization—at least in its material phases—more rapidly than ever before in history. And in doing so, since civilization and interdependence are synonymous, they vastly increased and accelerated the interdependence of men and of nations.

Westinghouse was more than an industrialist who founded sixty different companies all over the world. He was more than an inventor who received 361 patents over a period of less than half a century. He was a creative leader and visionary in one of the most creative historical periods of industrial growth.

When the nation's industries needed power, he developed a system for transmitting and using natural gas, and topped this with perhaps his greatest contribution of all—today's alternating-current system of generating, transmitting and utilizing electricity for power and light. Hartford early benefited from the Westinghouse alternating current system for one of the first such systems installed by the Westinghouse Co. went into operation here in 1901. This 1500-kilowatt turbo-generator, running at 1200 revolutions per minute, was the largest of its kind. Its performance in reduced steam consumption was surprising, and it established beyond question the value of the steam turbine as a prime mover in the production of electricity. So, you see, Connecticut and Westinghouse were very much co-sponsoring pioneers of the electrical age in which we live today. So successful was the Hartford adventure, that today 60% of all our electric power is produced by steam turbine generators.

To modern world commerce Westinghouse gave a perfected steam turbine, geared to drive ships, and with this paved the way for the development of powerful present-day fleets.

Today, one hundred years after his birth, scarcely a man lives in America or in many other parts of the world whose life and activity have been not affected by what he and his magnificent contemporaries did.

Even one hundred years ago, interdependence was a reality. Today, due so largely to those men, interdependence is the supreme reality of existence — to every race and nation, to every group and every individual.

We need not wonder what they would do if they were here, faced with today's conditions. The record of their lives is one of leadership, which means that they set the highest premium on mutual understanding and on the teamwork that has grown out of such understanding.

They would need no argument to convince them that this is indeed one world: that each of us is affected, for better or worse, by the thoughts and actions of others. They would agree, I am sure, that the greatest need of this interdependent world is improvement in the relationships of those human beings whom they did so much to bring closer together and more dependent on one another.

They would find a world where laymen as well as scientists wonder whether production of the instruments of progress has outrun man's capacity to use those instruments wisely. They would find a world where human nature has changed less than any other factor; where human nature is just as much a bar to progress as in their own day.

But they were men who thrived on adversity, who never ran away from problems, but tried always to measure those problems accurately and then meet them head-on with solution. So I am sure that were they alive today, their major concern would be less with machinery and more with men. They would be doing their best to make this one world a workable and livable world.

And so must we.

They would not try to remake all the world all at once. They would attack the problem at the point of their own responsibility—in their own business in their own relationships with associates and employes and the unions which represent them.

Fortunately for us, none of us has the responsibility for getting along with Russia, for straightening out China, for keeping the peace in Europe and Asia. Each of us has the job of living peacefully and productively with his immediate neighbors, the job of winning the good will and the friendly cooperation of associates and employes, the job of making interdependence a success in his own individual circle. Surely we can learn how to do that; surely we can deal effectively with men and women of our own kind, who speak the same language, have the same birthright and the same basic traditions, share a common economic interest with us. If we cannot, how can we blame Mr. Molotov for not getting along with Mr. Bevin or Mr. Byrnes for not winning Mr. Molotov to his way of thinking?

Business management has no greater task today than to make clear the facts of interdependence and of mutual interest and mutual progress. Understanding and unity, like charity, begin at home. We cannot have national unity without unity on a local level. And the place to begin to achieve that unity is in the individual business, in the development of confidence and trust and teamwork between manager and employe.

All of you share with me, I know, the belief that through intelligent and diligent effort we can surmount those difficulties. For we must surmount them. The penalties of failure, the rewards of success, are too great for us not to do so.

Management must spend even more time and energy in developing the full potential of our individual employes than we have devoted in the past to utilizing technical knowledge and machinery. That human potential can be best developed through improved appreciation of mutual interest. Its development requires the elimination of misinformation and misunderstanding, the eradication of conflict and cross-purpose.

The modern industrial structure has robbed many an employe of much of his sense of individual importance. So far as we can, we

must restore it. We must keep our people informed of our plans, our policies, our hopes for the future, and of their place in them. We must make them realize their responsibilities, for the most productive man is the one who feels a sense of responsibility for others as well as for himself. We must give them recognition and a realization of opportunity. Above all, we must give them a feeling of unity with management and ownership. They need to know, more than ever, that united we stand, divided we fall.

We must, and we can, eliminate the belief that there is any conflict between employer and employe. There can be no conflict of interest between two members of the same team.

Smith Barney Offers Dow Chemical Debs.

An underwriting group, headed by Smith, Barney & Co., is offering today (Thursday) a new issue of $30,000,000 15-year 2.35% debentures of the Dow Chemical Co. of Midland, Mich. The debentures, due Nov. 1, 1961, are priced at par and accrued interest from Nov. 1.

The offering constitutes new-money financing on behalf of the company. Net proceeds, amounting to approximately $29,652,000, will be added to the cash funds of the company to be used for general corporate purposes. While no specific allocation of the proceeds has been made by the company, it is expected that they will be spent, among other things, for capital additions to plants and facilities to manufacture new products and to meet the increased demand for products which are now manufactured. Such capital expenditures of the company and its subsidiaries during the past five years totaled $70,077,881.

The new issue of $30,000,000 debentures will constitute the only funded debt of the company. Upon completion of the offering, outstanding capitalization will consist, in addition to the debentures, of 303,869 shares of $4 cumulative preferred stock, series A, no par value, and 1,248,706 shares of common stock, without par value.

The debentures will have the benefit of a sinking fund to begin in 1950, providing for the redemption at par of $1,000,000 principal amount of the issue annually thereafter. They may be redeemed in whole, or from time to time in part, upon 30 days' notice at prices ranging from 102% up to Nov. 1, 1949, to par after Nov. 1, 1960.

Army to Ask More Funds

Army efforts to obtain an extra $350,000,000 for occupation and relief abroad until next June 30 may upset the administration's economy program, with War Department outlays in the occupied lands boosted to $775,000,000 instead of the $425,000,000 originally appropriated by Congress for the current fiscal year, according to Associated Press advices from Washington on Oct. 26. In August President Truman issued a directive for a reduction of Army expenditures for fiscal 1947 from $9,000,000,000 to $8,000,000,000. Disclosure of the imminent deficiency appropriation request of $350,000,000 was made by Assistant Secretary of War Howard C. Petersen upon his return from Europe as head of a Government mission of inquiry. Of the total amount, if approval were forthcoming, Mr. Petersen revealed, $100,000 would go to Germany, $200,000,000 would go into Japan and Korea and about $35,000,000 to Austria, with most of the $15,000,000 balance to Italy.

Underwriters Preparing Industry-Wide Reply to Caffrey's Request for Ideas on Red Herrings

(Continued from page 2335)

changing certain features of the 1933 and 1934 Acts when war broke out in 1941, interrupting this study, and the underwriters would now like to see the job of trying to simplify the laws affecting the entire securities industry—not just the underwriting end of it—resumed.

Groups like the Investment Bankers Association, the National Association of Securities Dealers, the New York Stock Exchange and the New York Curb Exchange, it will be recalled by those familiar with what happened back in those days, actively sought to work out a practical compromise with the SEC on the various issues in hearings before the Lea Committee.

Everyone admitted then that the problem was very complicated and, though a very wide area of disagreement developed in the positions taken by the securities and underwriting industry, on the one hand, and the SEC, on the other, yet there were encouraging areas of agreement.

The Lea Committee, it will also be recalled, was interested in the problems of the securities and underwriting industry at that time because Congress had before it for consideration then several bills that pertained directly to the industry. The coming Congress will also have proposals pertaining to the industry before it, it is believed, and it is for this reason, too, that the underwriters and others are anxious now for an early review of the relative merits of the various provisions of the 1933 and 1934 Securities Acts.

Just how unitedly the securities and underwriting industry can approach Congress through the SEC, as is contemplated at the moment, or through other means as they may be made available later, such as Congressional Committees and the like, is a little bit of a question perhaps, as not all parts of the industry see eye-to-eye on all issues.

On the matter of requiring financial reports from companies with 300 or more stockholders and assets exceeding $3,000,000 whose securities are unlisted—now being recommended to Congress by the SEC—it is known that many over-the-counter dealers can be counted in the opposition to any such procedure because they fear that the proposal, if enacted into law, would merely have the effect of driving their business to the organized exchanges. There are many, too, who feel that all governmental restrictions should be lifted from the securities industry.

However, as things are shaping up at the moment, some of the larger and more representative groups in the industry are taking the initiative in trying to effect some sort of a working peace with the SEC on the basis laid down by Mr. Caffrey himself; that is, through discussions and compromise.

Mr. Caffrey's proposal regarding the red herrings probably has "bugs" in it, as all original proposals are likely to have, it is felt, but through a general discussion of the question, it is hoped that the differences between the SEC and the industry may be minimized if not altogether eliminated and some practical foundation laid for a further consideration of other, probably related, problems.

In fact, before it actually puts its own suggestion to Mr. Caffrey in so many words, the industry wants to have some exploratory talks with Mr. Caffrey and other members of the Commission. The industry really would like to resume the discussions on the 1933 and 1934 Acts pretty much where they were left off in 1941. The question of the red herring, it is generally thought, is very closely tied up with other problems of the industry.

Unlike the 1941 effort, however, no real attempt will be made to discuss the 1933 Act as a whole, nor the 1934 Act as a whole, nor the two Acts together as a single topic, it is believed. The effort that is to be made now will be to take up the more important questions first, not as a group, but separately, one by one, perhaps starting with the red-herring prospectus since that is the particular question Mr. Caffrey has raised.

Just what chance there is for any tangible results from getting the SEC to agree to discuss the regulatory laws affecting the industry is problematical. Two years of argument achieved no change in the law in 1941. The only results of all this work were voluminous reports. It is felt now, though, that the general situation has changed considerably from then. Among other things, it is pointed out, the personnel of the Commission has changed. Besides, such disagreement as did exist in 1941 was mostly with the staff members of the Commission and not with the Commission itself, it is held.

More Comments on Subject

Additional comments which the "Chronicle" has received on Mr. Caffrey's proposal regarding the possible wider use of the red-herring prospectus in new security offerings are printed below. Underwriters are reminded that they have until next Tuesday to submit replies to Mr. Caffrey's request for suggestions.

Comment No. 12

I have discussed this question with several others in the business and it is our thought that the SEC could help matters out a lot if it would get out its deficiency letter in seven days. This would give the industry a little time, say three days or so, to make the corrections desired and the opportunity, too, to distribute the red herring ten days in advance of effective date. It is midway during the waiting period that public interest in a new issue is generally at its highest. Eventually, however, it is our hope that underwriters will be permitted to substitute a brief summary of (1) earnings and (2) the balance sheet for the red herring. After all, what is needed most is a report which prospective investors will read. The institutional buyer doesn't depend on the red herring for his information. He looks to the registration papers themselves. The average individual buyer doesn't understand the red herring when he does read it, which isn't often.

Comment No. 13

Mr. Caffrey's proposal is a favorable move towards clarifying the present impossible situation in the distribution of new offerings. However, it can be called only a thought in the right direction, not even a step, but at least the Commission is apparently aware that something is wrong.

Any modification of the Act, by rule, does not cure the defect that no matter what the Commission may think at this time, there is always the risk that the best meant and most restrained attempt to disseminate information will be construed as an effort to sell. Beyond question the underwriter desires to sell his wares. So does each member of the selling group down the line. It is impossible to construe normal service to possible customers in any other sense. It cannot be otherwise. So, as long as the Commission helds in reserve the power to determine when dissemination of information is an effort to produce orders, the principal underwriter and the responsible dealer can hardly be blamed for being unwilling to assume the risk of being accused of a violation.

The proposal offers little if any relief to the dealer a distance from Wall Street. He is still under the same serious handicap of mail time for distribution of either red herring or summary, and clock time for the making of definite offering. He may be quite willing to go to work at 7 a.m. to match the New York clock, but the chances are that his customers are not so willing. It is true that clock time cannot be altered, but while the intent is to give everyone an equal chance, this factor should be taken into consideration, too. Something should be done to permit the acceptance of orders which need not be binding on either buyer or seller until the final legal details have been completed, but which at least can be recorded without placing the dealer in the hands of the law.

Comment No. 14

I don't know Mr. Caffrey personally, but I know some men who do, even one who knew him during college days, and I understand from them that he really wants to be cooperative and helpful. From what I can gather, too, he really does know something about the industry. It would seem, therefore, that at last there is someone of prominence in the SEC who is more interested in actually assisting the industry to perform its functions than in heaping abuse upon everyone that may conceivably be encompassed within the jurisdiction of the SEC for the faults of the few. If there are actually any dishonest elements in the underwriting industry, they should be driven out of the business because they do not belong in it, but reliable firms should not be saddled with unnecessary restrictions.

The Federal Administrative Procedure Act

(Continued from page 2334)

will continue to play a large part in administrative procedure and that the Act itself does not go far enough to make possible the extinction of "in camera" activities.

The thought has been expressed that if you are an interested party you may have rules added or amended by mere application to the pertinent agency.

May we suggest that if you try in the securities field, you have about as much chance as the proverbial snowball, and the SEC denial will be based on the shibboleth "not in the public interest."

The Administrative Procedure Act by its very affirmative terms affords sweeping avenues for evasion. Thus, under the heading "Rule Making" in Section 4(a) dealing with "Notice," the following is contained:

"Except where notice or hearing is required by statute, this subsection shall not apply to interpretive rules, general statements of policy, rules of agency organization, procedure, or practice, or in any situation in which the agency for good cause finds (and incorporates the finding and a brief statement of the reasons therefor in the rules issued) that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest."

This gimmick of exception ending with the evasive shibboleth, "contrary to the public interest" works a complete emasculation insofar as notice is concerned.

As to procedure itself, witness the following which is part of Section 5(a):

"The agency shall afford all interested parties opportunity for (1) the submission and consideration of facts, arguments, offers of settlement or proposals of adjustment where time, the nature of the proceeding, and the public interest permit. * * *"

Again avoidance is made possible by an inexcusable escape clause.

Dealing with agency function concerning Decisions and Action by subordinates thereunder, Section 8(a) provides in part:

"(2) and such procedure may be omitted in any case in which the agency finds upon the record that due and timely execution of its functions imperatively and unavoidably so requires."

The statute forms a system of designed balance, the declaration of rights on the one hand, and the stripping of these rights by escape clauses on the other.

The Congressional intent behind the Administrative Procedure Act is laudable, and as we have indicated in a prior editorial, the Act itself is a step in the right direction.

However, we fear strongly that administrative agencies drunk with power, rather than make a benign effort to implement the Act in accordance with the purposes for which it was intended, will endeavor by weasel words to hamstring the legislative purpose.

The implementing rules of the SEC are in themselves disturbing.

Important rules are prefaced with "out" clauses, such as "except to the extent that the Commission direct otherwise,***" "unless otherwise *** directed by the Commission,***."

The farce in these implementing rules of providing safeguards against the prejudice of hearing officers on the grounds of personal bias, without at the same time providing similar safeguards against the bias of the members of the Commission, is illuminating.

Insofar as getting administrative relief is concerned, the securities industry is in a unique and dangerous position because of the Maloney Act.

So long as the SEC can influence, if not control, the policies of the National Association of Securities Dealers, and pass upon those policies in review—all the time claiming that the NASD is a voluntary organization — the SEC has an effective conduit through which it can pipeline its powers in evasion of the Administrative Procedure Act.

The old gag of ignoring the compelling monopolistic provisions of the Maloney Act which makes membership in the NASD imperative to most, and the claim that such membership is voluntary and constitutes a consent to the action of the majority, be that what it may, is the ruse that will enable the Securities and Exchange Commission to completely bypass the legislative intent evinced in this new Act.

There is need of a vigilant spirit which will result in bringing the SEC and the NASD within the complete orbit and frame of the new Act so that there will be total compliance with the spirit thereof.

The danger of roseate appraisals is resultant complacency.

This must be avoided.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Forecast of 160 if market broke 170 confirmed by subsequent action. Expect further strength followed by downturn.

Two weeks ago and again last week it was emphasized that the averages would have to hold the 170 level or be faced with another ten point decline.

* * *

This statement was based on the apparent fact that the majority of the buying which carried from around 162 to close to 180, came from public sources. There is nothing wrong with public buying, except that most of the time it is uninformed and based on hope psychology. To maintain such a gain, prices must hold a predetermined point. If they don't the odds in favor of reaction increase. The more the public participation on the rally, the heavier the decline on a reaction.

* * *

This column further went on record stating that if the 170 level were penetrated (it was made 169 for insurance) support would not be seen until the market hit the 160 point. On Oct. 30 you saw the averages get down to 160.49. The next day they bounced up to 169.68. At this writing they are at 172.79.

* * *

It is interesting to note that during the decline the stocks this column is committed to, did little on the down side. They either stood still or gave ground grudgingly. This bears out the discussion of last week's column of stocks to buy during poor market periods in anticipation of a reversals in trend.

* * *

Now the situation facing us is what to do, and what to expect, from here on. The Republicans have what virtually amounts to a clean sweep. Under different circumstances such a victory would mean much higher prices all around. However, the market has practically discounted the election returns. It is unreasonable to suppose that capital has not anticipated its victory at the polls. With that being the case it can be assumed that the meat of the advance has already been seen. Of course the market will rally further. The public is still to be heard from. And the public seldom anticipates. It acts on the news.

* * *

In the next few days prices will therefore extend their advance. I don't think they will go sky high from here on. Technical signs point to a stopping point around the 180 range, with a possibility of a penetration of the old high. But after that is reached, and it probably will be accompanied by a great deal of enthusiasm, some kind of a reaction is likely. How far this reaction will go is something else. I can't foresee a Republican Congress solving domestic economic problems by a return to a status quo. Any such attempt will almost certainly bring about other events, some of them far-reaching, or at least unsettling to established enterprise.

* * *

The strike picture will almost certainly be intensified. How serious this can become is something the market will have to deal with. On its initial break from about 210 to around 160, market gave a clue. Because this event occurred last August is no reason to forget it. Markets sometime have a habit of forecasting changes months before they become Page One news. Again it will be the public participation which will have to be watched. And the public action is not foreseeable, at least not that far ahead. It is always dominated by hopes and fears and reacts to these stimuli goaded by mob psychology.

* * *

Readers are still long of four stocks. One is in the red, others are in the black. The stops however have held so positions remain intact. The list: Dresser Industries at 17, stop 15; current price about 20. Gulf, Mobile and Ohio at 12, stop 10; current price about 13½. International Paper at 43, stop 38; current price about 45½, and Boeing at 23, stop 21; current price about 22.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Blyth & Co. Offers Central Illinois P. S. Preferred Stock

Blyth & Co., Inc., headed a group of investment bankers which is offering to the public Nov. 4 a new issue of 150,000 shares of 4% cumulative preferred stock, $100 par value, of Central Illinois Public Service Co. The stock was priced at $100 per share, plus accrued dividends.

The public offering was subject to an exchange offer being made by the company under which holders of its publicly outstanding 246,155 shares of $6 and 6% preferred stock had the right to exchange their shares for shares of the new preferred on a basis of one share of new preferred plus $10.94 in cash for each share of old preferred. Unexchanged shares of the old preferred will be redeemed at $110 per share plus accrued dividends to the redemption date. The company's exchange offer expired at the close of business on Nov. 6, 1946. Concurrent with the issue of new preferred stock, the company proposes to split on a 4-for-1 basis the 260,343 outstanding shares of $40 par value common stock and to issue, pro rata, to the holders of its common stock 758,628 additional shares, for a total consideration of $18,500,000.

Proceeds from the public sale of the preferred stock, together with any necessary portion of the proceeds from the sale of the common stock, will be applied to the redemption of the unexchanged shares of old preferred stock. Accrued dividends on all shares of old preferred redeemed or exchanged will be paid out of the company's general funds.

Central Illinois Public Service Co. is engaged principally in furnishing electric service in central and southern Illinois. The company reported total operating revenues for the 12 months ended Aug. 31, 1946, of $17,809,632 and net profit for the period of $3,559,056. The unaudited balance sheet as of Aug. 31, 1946, showed total current assets of $9,470,894 and current liabilities of $6,733,013. Upon completion of the present financing the company will have outstanding $38,000,000 first mortgage 3⅜% bonds, series A, due 1971; $5,250,000 of 2% unsecured notes due semi-annually to 1953; 150,000 shares of 4% cumulative preferred stock, $100 par value, and 1,800,000 shares of $10 par value common stock.

Observations

(Continued from page 2337)

practical decisions to be made—not in acres of space nor with tons of releases—but simply in a 37th floor hotel suite, the borrowed living quarters of the Waldorf Hotel's manager.

The other "black mark" of the week was dealt UN by the announcement of the Organization's security officer that he was asking for a blanket ruling of "courtesy immunity" from police regulations for its officials. This was most awkwardly publicized by its being coupled with the front-paged news of Secretary-General Lie's arrest for speeding. Resentment has been aroused wholly without reference to the legal technicalities, such as inferences from the possible precedent involved in the denial of special privileges to the Iranian Ambassador and his withdrawal from this country five years ago. The public naturally resents the arrogation of exemption from a police law which is designed to curtail the huge death rate from automobile accidents, just as special exemption from our very necessary hotel fire laws would seem to be wholly irrelevant and presumptuous.

The Organization's subsequent partial reversal of policy—apparently in response to public opinion—has naturally not repaired the damage caused by the previous revelation of the intended arbitrary claim for extraordinary privileges and immunities.

Incidentally, the extent of the basic East-West dialectical rift in all avenues of the UN proceedings was again revealed in the abovementioned remarks of Mr. Vandenberg in objecting to the assessment apportioned against the United States, in which he pointedly said: "Proud as we are of our economic system, the United States delegation is unable to accept as valid the flattering concept that it gives 5% of the people of the earth a control of 50% of the income capacity of the earth. If this were so and if one dared to be whimsical—**it might be suggested that the United Nations should adopt our economic system as standard practice for all of its membership.**"

Idealistic Behavior—For the Other Fellow

Nowhere in UN's ramified doings is the contradiction between pious preaching on the one hand and a nation's own actions on the other, more evident than it is in the trusteeship situation.

The primary theory underlying the UN's intended trusteeship system, is that colonies won from a defeated enemy should not be divided as booty among the victorious powers for their own advantage, but should exist as the responsibility of the international community as a whole. Here it must be granted that the United States ranks as Offender Number One. For our intentions about the disposition of the islands which had been mandated to Japan and now as a result of the War are under our occupation—namely the Marshalls, Carolines and Marianas—remain unsatisfactory from the viewpoint of UN Charter exigencies. The attitude of our UN delegation directly reflects a fundamental rift in policy between the State Department which—internationally-minded—favors trusteeship, and the War and Navy Departments which have been insisting on a continuation of United States control. On the eve of the opening of this Assembly session the head of the American delegation, Mr. Austin, said there was "nothing new to be said on the matter." The influence of our military men and Congressmen in insisting on our annexation of the islands outright, or at least to keep the strategic areas, for the maintenance of our security in the Pacific, is again evidenced in President Truman's ambiguous reiteration of this week. Arriving at his Independence, Missouri voting place, the President stated that "the United States intends to have sole trusteeship of the Pacific islands deemed necessary for our security," while he at the same time promised to present this policy to the United Nations "for approval." Such "approval" apparently necessitates an inter-Power log-rolling back-scratching **deal;** not the prescribed humanitarian crusade on behalf of the native peoples.

Similarly, two other mandated areas are being kept in an amorphous state outside the prescriptions of the Charter. There is Palestine, which, with 10,429 square miles and 1,700,000 people, is still administered by the British, and where Britain is facing attack by both the Zionists and the Arabs. And South West Africa, comprising 317,725 square miles and 350,000 people, the Union of South Africa now wants to annex outright instead of putting under a trusteeship agreement. This, it is being vigorously charged, likewise is violating the Charter's noble trusteeship aims; which charge Marshall Smuts has answered with seeming half-heartedness by merely telling the Russians that they are the pot calling the kettle black.

Other more general instances of the Big Powers' self-exemption from the general rules which they themselves have laid down and preached to others, are their own indiscriminate bombing of civilian populations in the cities of Western Germany by the British and American fliers; in the use of the atomic bomb in devastating Hiroshima; and in the condonation by the Potsdam Agreement of the mass expulsion from their homes of populations in the persons of millions of Germans.

Another phase of the dichotomy between talk and action is now being highlighted in the world trade discussions taking place at Church House in London. As foreigners visualize us, we make the loudest protestations of liberal fiscal tenets, but scuttle these professed good intentions by our traditionally restrictive tariff policies—a tendency possibly to be further accentuated as a result of this week's resurgence to power of "protectionist" Republicanism. In foreigners' eyes, the American businessman freely gives lip service to the lofty principle of tariff reduction, but battles to the death any attempt to reduce imposts on products that are competitive with their own. This was forcefully reflected in a recent exchange of ideas with Phillip Reed, who as Chairman of the U. S. Associates of the International Chamber of Commerce, is a ranking American expert on the subject. In a talk before the Financial Writers Association (published in this issue of the "Chronicle") Mr. Reed pointed out the great material advantages to this country accruable from reduction of imposts. But, when subsequently pinned down by informal questions concerning our likely tariff policy regarding the importation of products that would compete with their equivalents in the domestic market in normal supply-and-demand times, even he indicated doubt of our showing sufficient statesmanship therefor.

On the other hand, in the case of cartels, which perhaps constitute the most troublesome barrier to world trade, the shoe is on the other foot. For the United States and Canada against the rest of the world in seeking to demolish cartels for the fostering of international competition, while the liberal-talking liberal nations of Europe insist on supporting cartels.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Acme-Hamilton Mfg. Corp., Trenton, N. J.
Aug. 29 filed 50,000 shares 5% cumulative preferred stock ($20 par) and 82,000 shares ($1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—$20 a share for the preferred, and $11.50 a share for the common. **Proceeds**—Company will apply proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness. Offering temporarily postponed.

Aerovox Corp., Bedford, Mass.
Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 98. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

Air Lanes, Inc., Portland, Me.
Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, $10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cladmetals Co., of Pittsburgh
July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. **Underwriters**—None—the company intends to distribute its common stock directly to the public. **Offering**—Price $6 per unit. **Proceeds**—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital.

American Colortype Co., Clifton, N. J.
Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

American Limoges China Corp., New York
Sept. 25 filed 75,000 shares of common stock (par $1) **Underwriter**—Riter & Co. **Proceeds**—Stock being sold for account of Harry Bloomberg, President. **Price**—By amendment. Offering date indefinite.

American Locomotive Co., New York
July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. **Underwriting**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends. Indefinitely postponed.

● **American National Finance Corp., Newark (11/7)**
Oct. 29 (letter of notification) 8,938 shares (no par) common. **Price**—$5 a share. No underwriting. For working capital.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders of record on Nov. 1 in the ratio of one additional share for each two shares held. The subscription offer will expire on Nov. 21. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital.

Ansley Radio Corp., Trenton, N. J.
Aug. 29 filed 70,000 shares of Class A cumulative convertible preferred stock ($5 par) and 70,000 shares of common (50c par) and warrants for 50,000 shares of common stock to be sold to underwriter at 5c per share warrant and exercisable through Oct. 1, 1951 for purchase of common at $1 per share. **Underwriter** — Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common. **Prices**—$7 per unit of one share of preferred and one share of common. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. Temporary postponed.

Arkansas Western Gas Co.
June 5 filed 33,639 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago
July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock. Temporarily postponed.

Artcraft Hosiery Co., Philadelphia
Sept. 27 filed 53,648 shares ($25 par) 4½% cumulative convertible preferred and 150,000 shares ($1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. **Underwriter**—Newburger & Hano, Philadelphia. **Price**—$25.50 a preferred share and $12 a common share. **Proceeds**—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of $2,300,000 will be used by the company to pay off bank notes of about $1,100,000 and to purchase additional machinery and equipment in the amount of $1,200,000. Offering date indefinite.

Atlantic Refining Co., Philadelphia (11/18-29)
Oct. 29 filed 290,000 shares ($100 par) cumulative preference stock. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Stock will be offered for subscription to common stockholders on the basis of one share of preference stock for each nine shares held. Unsubscribed shares will be sold to the underwriters who will reoffer it to the public. Price by amendment. **Proceeds**—A maximum of $15,540,000 of the net proceeds will be applied to redemption of the company's cumulative preferred stock, convertible 4% Series A, at $105 a share. The balance will be added to general funds for corporate purposes including repayment of obligations, acquisition of additional production, and expansion of refining, transportation and marketing facilities.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40.000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

● **Berg Plastics & Die Casting Co., Inc. (11/8)**
Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—$4 a share. **Underwriter**—E. F. Gillespie & Co., Inc. **Proceeds**—For acquisition of machinery, tools and raw materials, and for working capital.

● **Bethlehem Steel Corp., New York (11/20)**
Nov. 1 filed $50,000,000 of consolidated mortgage 30-year sinking fund 2¾% bonds, Series J, due 1976. **Underwriters**—Kuhn, Loeb & Co., and Smith, Barney & Co. Price by amendment. **Proceeds**—To provide additional funds for cost of additions and improvements to steel plants of subsidiaries.

● **Birmingham Electric Co., Birmingham, Ala.**
Nov. 1 filed 64,000 shares ($100 par) 4.20% preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Dillon, Read & Co., Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co. **Offering**—The company will offer the stock on a share for share exchange basis to holders of its $7 preferred stock and $6 preferred stock, plus a cash adjustment. Shares not required for the exchange will be sold at competitive bidding at a price not less than $100 per share net to the company. **Proceeds**—Proceeds, together with a $2,500,000 bank loan, will be used to redeem the old preferred stocks and to finance additions to its electric distribution and transportation system. **Business**—Public utility.

● **Black Warrior Mining Co., Spokane, Wash.**
Oct. 23 (letter of notification) 100,000 shares of (5c par) capital. **Price**—10c a share. **Underwriters**—Frank Funkhouser, Howard E. Harris and William C. Gans, all officers of the company. For development purposes.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

(Continued on page 2376)

(Continued from page 2375)

Book-of-the-month Club, Inc., New York
Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia
Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.
Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Briggs & Stratton Corp., Milwaukee
Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—Shares are being sold by stockholders. Temporarily postponed.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

Brunner Manufacturing Co., Utica, N. Y.
Sept. 13 filed 180,185 shares ($1 par) common. **Underwriters**—George R. Cooley & Co., Inc., Albany, N. Y., and Mohawk Valley Investing Co., Inc., Utica. **Offering**—Of the total, 110,000 shares will be offered publicly and the remaining 70,185 shares will be offered in exchange for 23,395 shares of Class B common of American Gas Machine Co., of Albert Lea, Minn., on the basis of three shares for each Class B share. **Price**—$10.25 a share. **Proceeds**—Net proceeds will be used to redeem the outstanding Class A common shares of American Gas and the outstanding preferred stock of Brunner.

Burgess-Norton Mfg. Co., Geneva, Ill.
Sept. 23 filed 10,000 shares ($50 par) 5% cumulative preferred and 120,000 shares ($2.50 par) common. **Underwriter**—H. M. Byllesby and Co. (Inc.), Chicago. **Offering**—Of the common, 110,000 shares are being sold by stockholders. The remaining 10,000 shares are reserved for issuance upon the exercise of warrants attached to the preferred. Price by amendment. **Proceeds**—To reimburse treasury for purchase of machinery and equipment at a cost of $98,386 and payment for new building being constructed at estimated cost of $223,700; balance for purchase of additional machine tool equipment. Offering indefinitely postponed.

California Oregon Power Co.
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

• **California Water Service Co.**
Oct 28 filed 50,000 shares common stock (par $25). **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., The First Boston Corp. **Proceeds**—To repay bank loans used in part for 1946 construction work, to restore working capital used for additions and improvements and to defray part of cost of future additions, etc.

Callahan Zinc-Lead Co., New York
Oct. 23 (letter of notification) 28,000 shares of $1 par common or such number of shares as will aggregate $100,000 on behalf of Harrison White, Inc., New York, who purchased the shares from the issuer in July, 1938, as underwriter. **Price**—At market. Proceeds go to Harrison White, Inc.

Cameron Aero Engine Corp., New York
Oct. 2 (letter of notfication) 60,000 shares of common. **Offering**—Price $2 a share. **Underwriter**—R. A. Keppler & Co., Inc., New York. **Proceeds**—To demonstrate the Cameron Engine by flight tests in company-owned plane.

Camfield Mfg. Co., Grand Haven, Mich.
July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at $4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. Price $4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of $180,000 to the U. S. Government, and for additional working capital. Offering date indefinite.

Canadian Admiral Corp. Ltd., Toronto
July 8 filed 150,000 shares ($1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—Stock initially will be offered to common stockholders of Admiral Corp. at $3 a share. **Proceeds**—$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. Indefinitely delayed.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Illinois Electric & Gas Co., Rockford, Ill.
Oct. 24 filed 80,000 shares ($15 par) common. **Underwriter**—None. **Offering**—Shares will be offered for subscription to common stockholders at rate of one share for each five shares held. It will determine after the expiration of the stock purchase warrants whether there will be any public offering of the unsubscribed shares. **Price**—$15 a share. **Proceeds**—Proceeds, estimated at $1,200,000, will be held by the company as a construction fund to be used for its present and contemplated construction program.

Central & South West Utilities Co.
Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation. Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21 filed 90,000 shares (no par) common. **Underwriters** — Glore Forgan & Co., Chicago. **Offering** — Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Chase Candy Co., St. Joseph, Mo.
Sept. 12 filed $2,500,000 of 4% sinking fund debentures, due 1961; 100,000 shares ($20 par) 5% convertible cumulative preferred, and 170,000 shares ($1 par) common. **Underwriters** — F. S. Yantis & Co., Inc. and H. M. Byllesby and Co. (Inc.), Chicago, and Herrick Waddell & Co., Inc., New York. **Offering**—Common will be offered for subscription at $10 a share to common stockholders at rate of one share for each two shares held of record on Oct. 19. Shares of common not subscribed for will be offered for sale to officers, directors and employees. **Price**—The debentures will be offered at 100 and the preferred at $20 a share. The common will be offered to stockholders at $10 a share. Pursuant to the common stock subscription rights, F. S. Yantis & Co. will purchase 100,000 shares of the 170,000 shares of common for investment. Any of the remaining 70,000 shares which are not subscribed for by stockholders and officers, directors and employees will be sold to the underwriters. **Proceeds**—Net proceeds, estimated at $5,856,125, will be used to pay the balance of the purchase price, amounting to $5,150,000, for acquisition of the candy manufacturing business operated by Clinton Industries, Inc., as its national candy division with plants in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital. Offering indefinitely postponed.

China Motor Corp., New York
Oct. 24 filed 7,500 shares ($100 par) Class A stock, entitled to 6% preferential dividends, cumulative from July 1, 1947, and to participating dividends. **Underwriter**—None. **Offering**—Company expects to sell the stock largely to members of Chinese communities in the United States and elsewhere. **Price**—$101 a share. **Proceeds**—Net proceeds, estimated at about $748,500, are expected to be applied as additional working capital, payment of indebtedness and to provide capital to aid in establishing a branch plant in Canton, China.

Clary Multiplier Corp., Los Angeles (11/8)
Sept. 3 filed 150,000 shares 5½% cumulative convertible preferred stock (par $5). **Underwriting**—Maxwell, Marshall & Co., Los Angeles. **Price**—$5.25 a share. **Proceeds**—Net proceeds, estimated at $650,000, will be used to repay a $90,000 bank loan, to construct a factory and office building at San Gabriel, Calif., at a cost of about $250,000, and to purchase additional equipment, estimated at $250,000. The balance will be added to working capital. Offering temporarily postponed.

Climax Industries, Inc., Chicago
Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**— company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. Price of preferred $10 per share; price of common $4 per share. Proceeds of preferred to pay company's indebtedness to General Finance Corp., purchase equipment and real estate and for working capital. Indefinitely postponed.

Colonial Airlines, Inc., New York
Oct. 25 filed 150,000 shares ($1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. Price by amendment. **Proceeds**—Net proceeds will be used to pay off a $550,000 loan to the Continental Bank & Trust Co. of New York; purchase equipment and development expenses of Bermuda route. The balance will be used to increase working capital.

Colonial Sand & Stone Co., Inc., N. Y.
August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

NEW ISSUE CALENDAR

(Showing probable date of offering)

November 7, 1946

American National Finance Corp.	Common
Chesapeake & Ohio Ry.	Equip. Trust Ctfs.
Chicago & Northw. Ry.	Cond. Sales Agreements
Maltine Co.	Preferred

November 8, 1946

Berg Plastics & Die Castings Co., Inc.	Common
Clary Multiplier Corp.	Preferred

November 12, 1946

Cowles Co.	Common
Espey Manufacturing Co.	Common
May, Stern & Co.	Preferred
Redlow Machine Co.	Common
United States Aluminum Corp.	Preferred

November 13, 1946

Consumers Power Co.	Common
Crucible Steel Co. of America	Bonds

November 14, 1946

Creameries of America, Inc.	Common
Felt & Tarrant Mfg. Co.	Common
Yolande Corp.	Common

November 15, 1946

Fabian Textile Printing Corp.	Common
Tu Way Metal Rolling Co.	Common

November 18, 1946

Atlantic Refining Co.	Preferred

November 19, 1946

Northern Pacific Ry.	Equip. Trust Ctfs.
Safe Harbor Water Power Corp.	Bonds
Weatherhead Co.	Debentures

November 20, 1946

Bethlehem Steel Corp.	Bonds
Gulf Oil Corp.	Capital Stock
Hiram Walker & Sons, Inc.	Debentures
Lee (James) & Sons Co.	Pref. and Common
Pari-Mutuel Totalizer Corp.	Common

December 3, 1946

Philadelphia Electric Co.	Preferred

December 10, 1946

Philadelphia Electric Co.	Bonds

Colorado Milling & Elevator Co., Denver, Colo.
Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Axle Co., Cleveland, Ohio
Oct. 28 filed 89,580 shares ($5 par) common. **Underwriting**—None. **Offering**—Of the total 56,420 shares are to be issued to persons under a trust agreement in satisfaction of funds loaned by the trust to the company; 10,500 shares are to be issued to satisfy options, 2,300 shares will be sold to employees and it is expected that the remaining 20,360 shares will be sold to persons under the trust agreement. **Price**—$7.25 a share. **Proceeds**—For purchase of machinery and inventory.

Commonwealth Telephone Co., Madison, Wis.
Sept. 23 filed 16,071 shares ($100 par) $4 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Offering**—Shares will be offered for exchange for $5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. **Proceeds**—To redeem at $110 a share, plus divs., all unexchanged old shares.

Consolidated Hotels, Inc., Los Angeles
Aug. 9 filed 97,363 shares ($25 par) 4½% convertible preferred stock and 150,000 shares (50c par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$25 a share of preferred and $9 a share of common. **Proceeds**—Of the total, the company will receive proceeds from the sale of 851 shares of preferred. The remaining shares of preferred and all of the common are being sold by Ben Weingart, President and director. Company will add the proceeds to working capital.

Consumers Power Co., Jackson, Mich. (11/13)
Aug. 9 filed 500,000 shares (no par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co. and The First Boston Corp. (jointly). Price by amendment. **Bids Invited** — Company intends to issue bids for the sale of additional common stock in the amount of $20,000,000. Under tentative schedule bids are to be advertised Nov. 7 to be received up to Nov. 13 at office of Commonwealth Southern Corp., 20 Pine Street, New York.

Continental Motors Corp., Muskegon, Mich.
July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements. Offering indefinitely postponed.

Continental-United Industries Co., Inc.
Aug. 2 filed 150,000 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co. Price $8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par $25 and 350,000 common shares.)

Cooper Tire & Rubber Co., Findlay, Ohio
July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. Price—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital. Offering date indefinite.

Copco Steel & Engineering Co., Detroit
Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. Offering date indefinite.

● **Cowles Co., Inc., Cayuga, N. Y. (11/12)**
Nov. 4 (letter of notification) 250 shares of common stock (par $5). **Underwriter**—None. Price, $33 per share. To provide working capital for increased inventories and payrolls.

● **Crader Oil Co., Inc., Fort Worth, Texas**
Oct. 30 (letter of notification) 40,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For drilling oil and gas well.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Creameries of America, Inc. (11/14)
Oct. 17 filed 116,986 shares ($1 par) common. **Underwriters**—Kidder, Peabody & Co., New York; and Mitchum, Tully & Co., Los Angeles. Price by amendment. **Proceeds**—Of net proceeds, $1,000,000 will be used for additions and improvements to company's plants and for purchase of additional machinery and equipment, and $900,000 will be applied to the payment of outstanding bank loans. The remainder will be added to working capital.

Crucible Steel Co. of America, N. Y. (11/13)
Oct. 18 filed $25,000,000 of first mortgage sinking fund bonds, due 1966. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Net proceeds will be used to redeem on or before Dec. 31, 1946, company's $12,217,000 of 15-year 3¼% sinking fund debentures, due 1955, at 102. The balance will be used for purchase or construction of property additions or rearrangement of existing facilities or for purchase or redemption of the bonds presently offered.

Cyprus Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Danly Machine Specialties, Inc., Cicero, Ill.
July 26 filed 62,000 shares ($25 par) 5% cumulative convertible preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Offering date indefinite.

Delta Chenille Co., Inc., Jackson, Miss.
Oct. 2 filed 300,000 shares (20¢ par) common. **Underwriters**—Names by amendment. Price, $8 a share. **Proceeds**—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of $1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of $300,000 in 1946 and $300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital.

Detroit Typesetting Co., Detroit, Mich.
Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds.

Devonshire Chemicals Inc., Boston, Mass.
Oct. 28 (letter of notification) 10,000 shares of class A stock and 20,000 shares of common. **Price**—$10 a unit, consisting of one share of class A and two shares of common. **Underwriter**—General Stock & Bond Corp., Boston. For working capital.

Dobbs Houses, Inc., Memphis, Tenn.
Sept. 27 filed 75,000 shares ($1 par) common. **Underwriter**—Emanuel, Deetjen & Co., New York. **Price**—By amendment. **Proceeds**—Net proceeds will be used for expansion of business consisting of airline catering and restaurant and coffee shop operations. Date of offering indefinite.

Drayer-Hanson, Inc., Los Angeles
Aug. 12 filed 80,529 shares ($1 par) class A stock, convertible into common stock (par $1). **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10.25 a share. **Proceeds**—Net proceeds, estimated at $694,761, will be used to pay off loans and accounts payable. Offering temporarily postponed.

Duluth (Minn.) Airlines, Inc.
Oct. 15 (letter of notification) 12,000 shares ($5 par) Class A common and 8,000 shares ($5 par) Class B common. **Offering**—Price $5 a unit. No underwriting. For purchase of additional flight and servicing equipment, payment of deferred salary balances, for working capital and other expenses.

Durasite Corp., Clearwater, Fla.
Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

● **Edith Murray Mining Co., Murray, Ida.**
Oct. 28 (letter of notification) 200,000 shares of common. **Price**—25c a share. **Underwriters**—Marvin C. Meddock and A. T. Slawson, officers of the company. For mine development.

Elgin (Ill.) Sweeper Co.
Oct. 16 (letter of notification) 57,462 shares (no par) common. To be offered in exchange for outstanding prior preference stock (no par) on basis of 6 shares of common for each share of prior preference. Concurrently, holders of prior preference are given option to surrender their stock and receive $25 in cash and one share of common in exchange. Mullaney, Ross & Co., Chicago, are offering to purchase the shares of common to be recived by stockholders accepting this option at $5 a share.

● **Emergency Auto Wheel Corp., New York**
Oct. 30 (letter of notification) 50 shares (no par) common on behalf of Israel M. Lerner, New York. **Price** — $100 a share. No underwriting.

Empire Millwork Corp., New York
Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

Equitable Life & Casualty Insurance Co., Salt Lake City
Oct. 16 (letter of notification) 90,000 shares of common. To be offered to policyholders at the rate of 11 shares per $1,000 of insurance at $2 a share. No underwriting. To raise capital and surplus required by law to qualify an old line legal reserve capital stock life insurance company.

Ero Manufacturing Co., Chicago
Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders.

Espey Manufacturing Co., Inc., N. Y. (11/12-15)
Oct. 14 (letter of notification) 59,500 shares ($1 par) common; stock purchase warrants, 40,000; the underwriter to designate who shall subscribe to 22,500 and the company to designate who shall subscribe to 17,500; not exercisable until the expiration of one year after public offering. **Offering**—Price $5 a common share and 5 cents a warrant. **Underwriting**—B. G. Cantor & Co., New York. For payment of debt and working capital.

● **Fabien Textile Printing Corp. (11/15)**
Oct. 29 (letter of notification) 72,000 shares (no par) common and 40,000 stock purchase warrants. Company is reserving 40,000 shares for issuance of the warrants. The remaining 32,000 shares will be sold for $3.50 a share. **Underwriter**—C. H. Pistell & Co., Inc., Newark, N. J. **Proceeds**—For expansion program and working capital.

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Falk Mercantile Co., Ltd., Boise, Ida.

Oct. 21 (letter of notification) 3,000 shares of 4½% preferred ($100 par). **Price**—$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. Proceeds to retire debentures and for expansion purposes.

Farquhar (A. B.) Co., York, Pa.

Sept. 26 filed 30,000 shares ($25 par) cumulative convertible preferred; 45,000 shares ($5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds** — Proceeds will be used to redeem $355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of $72,000 and $800,000 to reduce principal on outstanding bank loans.

Fashion Frocks, Inc.

July 24 filed 200,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—Offering does not constitute new financing but is a sale of currently outstanding shares owned by members of the Meyers family, owner of all outstanding stock. After giving effect to the sale and assuming exercise of certain warrants and an option, the Meyers family will retain ownership of approximately 58% of the common stock. Offering temporarily postponed.

Felt & Tarrant Manufacturing Co. (11/14-20)

Sept. 25 filed 251,340 shares of common stock (par $5). **Underwriters** — Lee Higginson Corp. and Kidder, Peabody & Co. **Offering** — Shares are being sold by shareholders after consummation of proposed changes in company's capitalization and the merging into the company of Comptometer Co. Price by amendment.

Fiduciary Management, Inc., Jersey City, N. J.

Sept. 27 filed 867,420 shares ($25 par) common. **Underwriter**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders on the basis of four additional shares for each one share held. **Price**—$3 a share. **Proceeds**—To increase capital so company may expand operations in the field of development and reorganization financing.

Films Inc., New York

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Finrow Realty & Mortgage Co., Inc., Seattle, Wash.**

Oct. 22 (letter of notification) 39,534 shares of common and 480 shares of preferred. **Price**—$2.25 a common share and $50 a preferred share. **Underwriters**—Myron L. Finrow, President, and Edward J. Flanigan, Secretary. To provide minimum capital of $100,000 to acquire charter to make FHA insured mortgage loans.

● **Florida Telephone Corp., Leesburg, Fla.**

Nov. 1 (letter of notification) 27,000 shares of $10 par common. **Price** — $11 a share. **Underwriter** — Florida Securities Co., St. Petersburg, Fla. **Proceeds**—For expansion and modernization program.

Food Fair Stores, Inc., Philadelphia

Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York

July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

● **Formsprag Co., Detroit, Mich.**

Oct. 30 (letter of noticifcation) 374,000 shares of $1 par common. **Price**—$1 a share. No underwriting. For organization of business and working capital.

Foster & Kleiser Co., San Francisco

July 29 filed 100,000 shares of $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

Fresh Dry Foods, Inc., Columbia, S. C.

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

Frontier Power Co., Trinidad, Colo.

Oct. 25 filed 119,431 shares ($5 par) common. Underwriter by amendment. Price by amendment. **Proceeds**—Shares are being sold by three stockholders, including J. G. White & Co., Inc., New York, which is selling all of its holdings of such stock. Following the sale of its holdings J. G. White will no longer be parent of Frontier. Company will receive none of the proceeds.

General Engineering and Manufacturing Co., St. Louis, Mo.

Oct. 21 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($2 par) common. **Underwriters**—Dempsey, Tegeler & Co., and J. W. Brady & Co., St. Louis. **Price**—$10 a preferred share and $5 a common share. **Proceeds**—Net proceeds, estimated at $893,000, will be added to working capital and will be used to finance the company's new product, the "Gemco" space cooler (an air conditioning unit) and other corporate purposes.

● **General Housing & Development Co., Forest Hills, N. Y.**

Oct. 31 (letter of notification) 58,000 units, consisting of one share of 7% cumulative sinking fund preferred stock ($4 par) and 2 shares (5c par) common; and warrants to purchase 40,000 shares of common. Price, $5.10 a unit and one cent a warrant. **Underwriters**—W. H. Bell & Co., Inc., New York, and Henry C. Robinson & Co., Inc., Hartford, Conn. For working capital to engage in general field of housing.

Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.

Oct. 2 filed 300,000 shares ($1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

Glensder Textile Corp., New York

Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter** — Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.

Sept. 3 filed 636,500 shares ($5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Offering**—Of the total 500,000 shares will be offered to the public and the remaining 136,500 shares will be reserved for issuance partly in payment of an indebtedness. Partly as a commission to the selling agents and partly on exercise of options. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

Griggs, Cooper & Co., St. Paul, Minn.

Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York

July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.

Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

● **Gulf Oil Corp., Pittsburgh, Pa. (11/20)**

Oct. 31 filed 399,860 shares ($25 par) capital stock. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Shares are issued and outstanding and are being sold by members of the Pittsburgh banking family of Mellon or trusts created by members of the family. **Business**—Production and refining of crude petroleum and products.

Halliday Stores Corp., New York

Oct. 23 filed 100,000 shares (50c par) common. **Underwriters**—E. F. Gillespie & Co., Inc., and Childs Jeffries & Thorndike, Inc., New York. Price, $4.50 a share. **Proceeds**—For purchase of all the outstanding stock of the Benton Stores, Inc. and its affiliates from William Bookman and Maurice Hoppin pursuant to terms of a contract entered into last August 15.

Hammond Instrument Co., Chicago

Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter:** Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Hartfield Stores, Inc., Los Angeles

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hayes Manufacturing Corp., Gr. Rapids, Mich.

Feb. 27 filed 185,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares of common stock (par $3) of American Engineering Co. **Underwriter**—By amendment. **Offering**—Price by amendment.

Helicopter Air Transport, Inc., Camden, N. J.

Oct. 18 (letter of notification) 50,000 shares of capital stock (par 10c). **Underwriter**—Putnam & Co. as to 5,500 shares; issuer plans sale of 44,500 shares for its own account. Price, $3 per share. **Proceeds**—For acquisition of additional helicopters and related equipment and working capital.

Helicopter Digest Publishing Co., Inc.

Oct. 15 (letter of notification) 10,000 shares of preferred stock (par $5) and 10,000 shares of common stock (par $1). **Underwriter**—Frank P. Hunt, 42 East Ave., Rochester, N. Y. **Price**—$6 per unit of one share of each. **Proceeds**—Purchase of machinery, paper and working capital. **Business**—Publishing.

● **Hiram Walker-Gooderham & Worts Ltd., Ontario, Can., and Hiram Walker & Sons, Inc., Detroit, Mich. (11/20)**

Nov. 1 filed $30,000,000 20-year debentures due 1966. **Underwriters**—Smith, Barney & Co. and Kidder, Peabody & Co. Price by amendment. **Proceeds**—Net proceeds will be used by the American company to pay bank loans and to increase cash funds. **Business**—Distilling business.

Hollywood Colorfilm Corp., Burbank, Calif.

Oct. 16 (letter of notification) 119,500 shares of ($1 par) capital. Price, $3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros.; Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

Holt (Henry) & Co., Inc., New York

June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Underwriters**—Otis & Co., Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

Household Finance Corp., Chicago

Oct. 29 filed 60,000 shares (no par) common. **Underwriting**—None. **Offering**—Stock will be offered for subscription to certain employees and officers of the company and its subsidiaries. **Price**—$20.50 a share. **Proceeds**—Estimated proceeds of $1,210,000, after expenses, will be added to working capital.

● **Illinois Bell Telephone Co., Chicago**

Nov. 4 filed 324,998 shares ($100 par) common. To be offered for subscription, pro rata, to stockholders at $100 a share. No underwriting. **Proceeds**—To reimburse Treasury for funds expended for extensions, additions and improvements to its telephone plant.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Industrial Bancshares Corp., St. Louis, Mo.

Oct. 29 filed 100,000 shares of ($4 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders in the ratio of one

share for each five shares held. At the expiration of the subscription period, shares not sold may be purchased by other common stockholders or will be sold in such manner as the board of directors shall determine. **Price**—$20 a share. **Proceeds**—Of the proceeds, the company will advance to Industrial Credit Corp., its sub-holding company, the sum of $760,000 for payment of a loan and $703,930 for retirement of Industrial's first and second preferred stocks in order to prepare for the latter's ultimate dissolution. Remaining funds will be used as working capital.

International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

Kane County Title Co., Geneva, Ill.

Sept. 25 (letter of notification) 4,000 shares of common. **Offering**—To be offered to stockholders of record Oct. 4 for subscription at $30 a share at the rate of one share for each two shares held. Subscription rights terminate Nov. 3. Any unsubscribed shares will be purchased by Chicago Title & Trust Co., a stockholder. No underwriting. For expansion of building and plant facilities.

● **Kansas City Power & Light Co., Kansas City, Mo.**

Nov. 1 filed $36,000,000 of first mortgage bonds, due 1976; and 100,000 shares ($100 par) cumulative preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Dillon, Read & Co. Inc. (jointly); Central Republic Co. (stock) and Smith, Barney & Co. (stock); Glore, Forgan & Co. and W. C. Langley & Co. (stock). **Offering**—To the public. **Price**—To be determined by competitive bidding. **Proceeds**—Proceeds will be used to redeem $38,000,000 of 3¾% bonds, due 1966 and 40,000 shares of first preferred stock, Series B. **Business**—Public utility.

● **Kauffman-Lattimer Co., Columbus, Ohio**

Oct. 28 (letter of notification) 3,000 shares ($100 par) 4½% cumulative preferred. **Price**—$100 a share. No underwriting. To redeem 6% preferred at $110 a share and to provide additional working capital.

● **Kimberly-Clark Corp., Neenah, Wis.**

Nov. 6 filed 70,000 shares ($100 par) 4% convertible cumulative second preferred. **Underwriters** — Lehman Brothers, Hallgarten & Co., New York, and the Wisconsin Co. (Milwaukee). Price by amendment. **Proceeds**—To be added to general funds for use in financing acquisition of additional plants and facilities. The company contemplates a $21,500,000 expansion program expected to be completed in 1949. Additional funds for the program will be provided from a $8,000,000 loan. **Business**—Paper manufacturers.

Lake State Products, Inc., Jackson, Mich.

Aug. 27 (letter of notification) 100,000 shares ($1 par) common for benefit of issuer. **Underwriter**—Keane & Co., Detroit. **Offering**—Price $2.50 a share. Proceeds for working capital to enable issuer to produce its product, an automatic dishwashing machine in commercial quantities. Offering delayed due to market conditions.

Leader Enterprises, Inc., New York

Sept. 26 (letter of notification) 150,000 shares of (10¢ par) common and 57,000 shares ($5 par) 6% cumulative convertible preferred, Series A. **Price**—10 cents a common share and $5 a preferred share. **Underwriter**—Gearhart & Co., Inc., New York. **Proceeds**—To replace working capital used to promote new publication called Fashion Trades and to provide additional working capital.

● **Lees (James) & Sons Co. (11/20)**

Oct. 31 filed 30,000 shares ($100 par) cumulative preferred and 203,833 shares ($3 par) common. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Company will offer 14,399 shares of the new preferred in exchange, on a share for share basis, for its 7% cumulative preferred. The exchange offer will expire Nov. 25. Any shares not issued in exchange will be sold to underwriters as well as all of the common shares which latter are being sold by stockholders. Price by amendment. **Proceeds**—Company will use proceeds from the sale of the preferred shares to redeem all unexchanged shares of 7% preferred and partially to reimburse working capital for funds expended in the erection of a new mill at Glasgow, Va. **Business**—Manufacture of wool carpets and rugs and wool yarns.

Madison Petroleum Co., Basin, Wyo.

Oct. 21 (letter of notification) 150,000 shares common stock (par $1) on behalf of company and 25,000 shares each on behalf of A. R. Griffith, C. W. Mills, A. J. Chisholm, Jr. and C. M. Spicer, all officers and directors of the company. **Price**—$1 a share. **Underwriter**—C. W. Mills, Denver. For equipment and working capital.

Macco Corp., Clearwater, Calif.

Sept. 25 filed 100,000 shares ($1 par) capital stock. **Underwriter** — Dean Witter & Co., Los Angeles. **Price**—By amendment. **Proceeds** — To pay off outstanding bank loans.

Mada Yellowknife Gold Mines, Ltd., Toronto

June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company.

Maine Public Service Co., Preque Isle, Me.

June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

Maltine Co., New York (11/7)

Oct. 15 (letter of notification) 2,900 shares of 4¼% convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co. **Price**—$100 and dividend. Stockholders of record Oct. 9 given right to subscribe at par in ratio of one share for each 10 shares held. Rights expire Nov. 6. Proceeds, together with funds from loans, will be applied to construction cost of new plant and laboratories at Morris Plains, N. Y.

Max Factor & Co., Hollywood, Calif.

Oct. 25 filed 600,000 shares ($1 par) common. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Shares are being sold by stockholders. Of the total, 550,000 will be sold to the public and 50,000 will be sold to employees (latter shares not underwritten). Price by amendment.

May McEwen Kaiser Co., Burlington, N. C.

Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

● **May, Stern & Co., Pittsburgh (11/12)**

Nov. 4 (letter of notification) 1,950 shares of 5% cumulative preferred stock (par $50). **Underwriter**—E. H. Rollins & Sons, Inc., Philadelphia. Price, $50 per share. Proceeds go to selling stockholders.

Merchants Factors Corp., New York

Oct. 21 (letter of notification) 2,877½ shares 7% cumulative and participating preferred stock (par $100). **Underwriter**—None at present but company may employ some individuals to promote the sale of the stock. Price, $100 per share. Purpose, working capital.

Michigan Gas & Elec. Co., Ashland, Wis.

June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Michigan Steel Casting Co., Detroit

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Cray, McFawn & Co., Detroit. **Offering**—To be offered publicly at $8.25 a share. **Proceeds**—Purchase additional facilities, expansion, etc. Offering indefinitely postponed.

Midas Yellowknife Gold Mines Ltd., Toronto, Canada

Oct. 21 filed 1,250,000 shares ($1 par) common. **Underwriter**—R. J. Hale, East Aurora, N. Y. **Offering**—Of the total company is selling $1,000,000 shares and the remaining 250,000 shares are being sold for the account of the principal underwriter, brokers and dealers, which shares they will receive as additional compensation on the basis of 250 shares for every 1,000 shares sold for the company. **Price**—60 cents a share. The underwriters will receive a discount on the 1,000,000 shares of 15 cents each. **Proceeds**—For exploration and mine development work.

Middlekamp Building Corp., Pueblo, Colo.

Oct. 23 (letter of notification) $95,000 4% first closed mortgage sinking fund bonds, due 1960. **Price**—Not more than 98½ per unit. **Underwriter**—Boettcher and Co., Denver, and Hutchinson & Co., Pueblo, Colo. For retirement of debt and for working capital.

Mississippi Fire, Casualty and Surety Corp.

August 19 (letter of notification) 14,000 shares ($10 par) common stock, offering price $20 a share. **Underwriter**—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

● **Morris Paper Mills, Chicago**

Nov. 1 filed 29,126 shares ($50 par) 4¾% cumulative preferred and 55,000 shares ($10 par) common. **Underwriter**—Hallgarten & Co., New York. Price by amendment. **Proceeds**—Shares are issued and outstanding and are being sold a group of stockholders who will receive proceeds from the sale. **Business**—Operation of paperboard mill and box factory.

Mountain States Power Co.

June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

Muehlebach (George) Brewing Co., Kansas City, Mo.

Sept. 25 filed 41,327 shares ($25 par) 5% cumul. participating preferred and 40,000 shares ($1 par) common. **Underwriters** — Headed by Stern Brothers & Co., Kansas City. **Offering** — Preferred and 20,000 shares of common will be offered publicly. Remaining 20,000 shares common will be offered to officers and key employees at $4.75 each. **Price**—Preferred $25 per share and common $5.75 per share. **Proceeds**—Of shares offered to public, 6,500 share of preferred and 20,000 shares of common are being sold by the company. **Proceeds**—Proceeds together with other funds, will be used to pay off $181,909 balance of note held by Schroder Trust Co., New York; to finance a proposed expansion program and to increase working capital.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

Mutual Telephone Co., Honolulu, Hawaii

Oct. 28 filed 150,000 shares ($10 par) common stock. **Underwriting** — None. **Offering** — For subscription to common stockholders at $10 a share in the ratio of one share for each four shares held of record on Nov. 1. Unsubscribed shares will be sold at public auction to the highest bidder. **Price**—$10 a share. **Proceeds**—Proceeds, estimated at $1,485,610, will be used to repay short-term bank loans and to finance plant replacements and improvements. **Business** — Furnishing telephone service.

National Alfalfa Dehydrating & Milling Co., Lamar, Colo.

June 28 filed 28,960 shares of 4½% cumulative preferred stock ($100 par), 250,000 shares of common stock ($1 par) and warrants for 28,960 common shares (attached to preferred stock). **Underwriters**—Stone & Webster Securities Corp., and Bosworth, Chanute, Loughridge & Co. Price by amendment. **Proceeds**—Shares are outstanding and are being sold by stockholders. Temporarily postponed.

National Aluminate Corp., Chicago

Sept. 27 filed an unspecified number ($2.50 par) common shares. **Underwriters**—First Boston Corp., New York, and Lee Higginson Corp., Chicago. **Price**—By amendment. **Proceeds**—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment.

National Manufacture and Stores Corp., Atlanta

June 12 (letter of notification) 8,500 shares of common stock. Offering price, $35 a share. **Underwriters**—Clement A. Evans & Co., Inc. **Proceeds**—For redemption of outstanding $2.50 class A non-cumulative stock. Postponed indefinitely.

National Tile & Mfg. Co., Anderson, Ind.

Oct. 7 (letter of notification) 50,000 shares ($1 par) stock. **Offering** to stockholders for subscription at the rate of 1 share for each 2½ shares held. **Price**—By amendment. No underwriting. For additional working capital.

Newburgh Steel Co., Inc., Detroit

Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common shares ($1 par). **Underwriters**—Names by amendment. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common.

New England Gas and Electric Association

July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan

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approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. The SEC has extended to Nov. 30 time within which refinancing may be carried out. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. Sale postponed indefinitely.

● New Plastic Corp., Los Angeles
Oct. 31 (letter of notification) 30,000 shares of $2.25 (par 60c) preferred, cumulative and convertible, and 34,000 warrants for common ($1 par) not exercisable until one year from date of issuance. **Prices**—$9.75 a preferred share and 10c a common warrant. **Underwriter**—Grimm & Co., New York. **Proceeds**—For expansion and working capital.

New York State Electric & Gas Corp., Ithaca N. Y.
Oct 30 filed $13,000,000 first mortgage bonds, due 1976, and 150,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—Estimated proceeds of $28,000,000, together with a $6,000,000 contribution from NY PA NJ Utilities Co., parent, will be used for redemption of $13,000,000 of 3¾% bonds, due 1964, and 120,000 shares ($100 par) 5-10% cumulative serial preferred and to finance new constructions.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Indefinitely postponed.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

Nugent's National Stores, Inc., New York
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

Ohio Associated Telephone Co.
Sept. 11 filed $3,250,000 of first mortgage bonds, 2⅞% series, due 1976; and 35,000 shares (no par) $2 cumulative preferred. Bonds to be sold privately. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities, both of New York. **Offering**—Of the preferred being registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. **Proceeds**—Net proceeds to the company will be used to redeem its $1,770,000 of 3½% first mortgage bonds, due 1970, at 107½%; to repay $1,450,000 in bank loans; to pay General Telephone Corp. $937,518 in retirement of its 6% cumulative preferred owned by General and to reimburse its treasury for funds previously expended.

Old Town Ribbon & Carbon Co. Inc., Brooklyn
Sept. 19 filed 140,900 shares ($5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment.

Orange-Crush de Cuba, S. A., Havana, Cuba
July 22 filed 125,000 shares ($1 par) common and 40,000 warrants. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Price $4.75 a share. **Proceeds**—Of the total company is selling 37,500 shares and stockholders are selling 87,500 shares. The company will use its proceeds for equipment and working capital.

Pacific Power & Light Co., Portland, Ore.
July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York
June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Pantasote Plastics Inc., Passaic, N. J.
Sept. 27 filed 60,000 shares ($25 par) 4½% cumulative preferred and 1,352,677 shares ($1 par) common. **Underwriter**—Underwriting arrangements will be supplied by amendment, but it is contemplated that Van Alstyne, Noel & Co., New York, may be one of the underwriters. **Offering**—Company is making an exchange offer to stockholders of Textileather Corp., Toledo, O.; The Pantasote Co., Passaic, N. J.; and Astra Realty Co., New York, for the purpose of acquiring the controlling interests of the companies. Pantasote Plastics will offer three shares of its common, plus ⅖ of a share of preferred, for each share of Textileather common. It will offer two shares of its common for one share of Pantasote common, and 12 shares of its common for each shares of Astra common. It is proposed that underwriters will offer publicly a maximum of 60,000 shares of preferred and 250,000 shares of common, of which 12,853 shares of preferred and 50,000 shares of common are to be purchased by the underwriters from the company and the balance (which are part of the shares to be received under the exchange offer) are to be purchased from selling stockholders. **Proceeds** — Proceeds to the company will be applied to make loans to Textileather and Pantasote for various corporate purposes.

Pari-Mutuel Totalizer Corp., N. Y. (11/20-21)
Oct. 17 (letter of notification) 75,000 shares of common (1¢ par). **Offering price**—$2.75 a share. **Underwriting**—Howell, Porter & McGiffin, Inc., New York. For manufacture of pari-mutuel totalizing machines and for other corporate purposes.

● Pedlow Machine Co., Chester, Pa. (11/12)
Oct. 30 (letter of notification) 150,000 shares ($1 par) 10c Class A common. Company will exchange 14,500 shares for outstanding preferred and $135,000 shares will be sold. **Price**—$2 a share. No underwriting. For payment of debt and working capital.

Peninsular Oil Corp., Ltd., Montreal, Canada
Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

People's Service Corp., Philadelphia
Oct. 18 (letter of notification) 50,000 shares ($10 par) common. Price, $10 a share. No underwriting. Manufacture retail wearing apparel.

Pharis Tire & Rubber Co., Newark, O.
Sept. 27 filed 100,000 shares ($20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

● Philadelphia Electric Co., Philadelphia, Pa. (12/3-10)
Nov. 4 filed $30,000,000 of first and refunding mortgage bonds, due 1981, and 300,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. (bonds only); Morgan Stanley & Co.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly), and White, Weld & Co. (bonds only). **Offering**—To the public. Price to be determined by competitive bidding. **Proceeds**—Proceeds of about $60,000,000 before deducting expenses will be used to pay off $18,000,000 of 1½% promissory notes and to finance part of the company's construction program which will require approximately $42,000,000. **Bids Invited**—Bids on the bonds will be opened Dec. 10 and bids on the preferred stock will be opened Dec. 3.

Phillips & Benjamin Co., Waterbury, Conn.
Sept. 23 (letter of notification) 14,164 shares of $5 par common. **Offering**—To be offered for subscription to present stockholders on the basis of one share for each share held. Price not disclosed although it is stated that company wishes to have available 6,000 shares to take care of options which it proposes to give to management for past services, the options to run over a period of two years and six months and provide that the stock may be purchased at $10 a share within 18 months and thereafter and before the expiration of the option, at $15 a share. No underwriting. For exploitation of its business.

Plastic Molded Arts, Inc., New York
Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

Portis Style Industries, Inc., Chicago
Sept. 27 filed 110,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. **Offering**—Of the total 100,000 shares will be offered to the public and 10,000 to employees of the company. **Price**—Price to public $6.50 a share. Price to employees $5.525 a share. **Proceeds**—Shares are being sold by four stockholders of the company who will receive proceeds. The registration showed that the company changed its authorized capital from 4,000 shares ($100 par) common to 400,000 shares ($1 par). Each shares of $100 par common was changed into 100 shares of $1 par common, which exchange was consummated Sept. 23.

Portland (Ore.) Transit Co.
June 14 filed (as amended) 60,000 shares of 5% cumulative convertible preferred stock (par $25) and 250,840 shares of common stock, of which 32,840 shares will be sold to Pacific Associates Inc. at $6 per share, also 200,000 common shares for conversion of preferred. **Underwriters**—First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & Co. Offering price, preferred $26.50 per share; common, $7.50 per share.

Precision Parts Co. of Ann Arbor, Mich.
July 5 filed 75,000 shares 5% cumulative convertible preferred stock ($10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, $250,000 will be used to pay 3% notes held by National Bank of Detroit, $75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, $30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds. Offering temporarily postponed.

Randall Graphite Products Corp., Chicago
Oct. 15 filed 100,000 shares ($1 par) common. **Underwriter**—White, Noble & Co. and Smith, Hague & Co., Detroit. **Price**—$3.50 a share. **Proceeds**—Net proceeds go to selling stockholders. **Business**—Graphite bronze bushings and other products.

● Ranger Fastener Co., Inc., New York
Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—$2 a share. **Underwriter**—F. R. Lushas Co., New York. **Proceeds**—For working capital.

Read (D. M.) Co., Bridgeport, Conn.
Sept. 27 filed 100,000 shares (25¢ par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Estimated net proceeds of $476,362 will be used to pay off a loan from the Marine Midland Trust Co., New York.

Reed-Prentice Corp., Worcester, Mass.
Oct. 11 filed 120,300 shares of common stock (par $2.50). **Underwriter**—Tucker, Anthony & Co., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by stockholders who will receive proceeds. **Business**—Production of plastic injection molding machines.

Republic Aviation Corp., Farmingdale, N. Y.
Oct. 9 filed 100,000 shares ($50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peacetime business.

Republic Pictures Corp., New York
Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Reynolds Pen Co., Chicago
May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

Rowe Corp., New York
July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite

Safe Harbor Water Power Corp. (11/19)
Oct. 25 filed $14,000,000 1st mortgage bonds, due 1981. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Harriman Ripley & Co.; Blyth & Co., Inc.; Lee Higginson Corp.; Alex. Brown & Sons and White, Weld & Co. (jointly). **Proceeds**—Offering is part

of the company's refinancing program which includes the issue and sale of $5,000,000 10-year serial notes, bearing interest at 1.75%. Proceeds, together with treasury funds, will be used to redeem $19,131,000 1st mtge. sinking fund gold bonds, 4½% series due 1979, at 102½. **Bids**—Bids for the issue expected Nov. 19.

St. Regis Paper Co., New York

Sept. 27 filed 150,000 shares ($100 par) first preferred. **Underwriter**—To be supplied by amendment. Probable underwriter, White, Weld & Co. **Offering**—Terms of offering and price by amendment. **Proceeds**—Net proceeds will be used to redeem company's 5% cumulative prior preferred stocks and an unspecified amount will be advanced to Taggart Corp., a subsidiary, for redemption of its $2.50 cumulative preferred. Both securities are redeemable at $52.50 a share plus accrued dividends. In addition, the company will apply $2,675,000 of the proceeds as advances to Alabama Pulp and Paper Co., of whose common stock the company owns 25,000 shares. The balance of proceeds will be used to restore working capital.

San-Nap-Pak Mfg. Co. Inc., New York

July 24 filed 80,000 shares ($1 par) common stock. **Underwriters**—Dunne & Co., New York. **Offering**—Price by amendment. **Proceeds**—Nat E. Heit, President and director, and Harry Preston, board Chairman, Secretary and Treasurer, will receive net proceeds as selling stockholders. Offering date indefinite.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering date indefinite.

Seaboard Finance Co., Washington, D. C.

Aug. 29 filed 240,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co., and Johnston, Lemon & Co. **Offering**—Certain stockholders are selling 140,000 issued and outstanding shares. Company is offering 100,000 shares. Price by amendment. **Proceeds**—From company's 100,000 shares proceeds will be used to reduce outstanding bank loans and commercial paper and for other corporate reasons. Offering temporarily postponed.

7-Up Texas Corp., Houston, Texas

Oct. 28 filed 71,141 shares (45c par) Class A common and 35,441 shares (45c par) Class B common. **Underwriting**—The underwriters who are also the selling stockholders are Dempsey-Tegeler Co., St. Louis, Mo.; Dittmar & Co., San Antonio, Tex.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Rauscher, Pierce & Co., Inc., Dallas, Tex. Price by amendment.

Shatterproof Glass Corp., Detroit, Mich.

Oct. 28 filed 280,000 shares ($1 par) common. **Underwriting**—None. To be sold through brokers on over-the-counter market. **Offering**—The shares are issued and outstanding and are being sold by William B. Chase, President, and members of his family or trusts created by Chase or his wife. **Price**—At market.

● **Slate Creek Mining Co., Seattle, Wash.**

Oct. 25 (letter of notification) 100,000 shares (5c par) preferred. **Price**—$1 a share. No underwriting. For development of mining properties and for working capital.

Solar Manufacturing Corp.

June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

● **Southern Oxygen Co., Inc., Washington, D. C.**

Oct. 28 (letter of notification) 6,785 shares of common. **Price**—$42 a share. No underwriting. For working capital.

● **Sperti Foods, Inc., Hoboken, N. J.**

Oct. 29 (letter of notification) 30,000 shares ($10 par) 5% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—White, Noble & Co., Detroit, Mich. **Proceeds**—For purchase of equipment and working capital.

Springfield (Mo.) City Water Co.

Oct. 16 filed 8,827 shares ($100 par) series E 4¼% cumulative preferred. **Underwriters**—H. M. Payson & Co., Portland Me. and The Moody Investment Co., Springfield. **Offering**—Stock will be offered for exchange to holders of series C 6% preferred and series D 5% preferred on the following basis: For each share of series C stock one share of new preferred plus 50c in cash and for each share of series D stock one share of new preferred plus $1 in cash and a $1.25 dividend payable Jan. 1, 1947. Shares not issued in exchange will be sold to underwriters for public offering at $104 a share. **Proceeds**—Will be used to retire the series C stock at $103 plus dividends and series D stock at $105 plus dividends.

Steep Rock Iron Mines Ltd., Ontario

March 27 filed 500,000 shares of capital stock (par $1). Underwriters—Otis & Co. Offering—Price to public by amendment. Proceeds—Net proceeds will be added to the general funds and will be available for general corporate purposes. Offering date indefinite.

Stereo Pictures Corp., New York

Oct. 14 (leter of notification) 2,985 units of stock, each unit consisting of one share of $6 cumulative (no par) non-voting, non-convertible, preferred stock and one share of common stock (par 50c). **Underwriter**—Ayres Barley & Associates, Inc., (165 Broadway, Suite 1717) New York. **Price** — $100 per unit. **Proceeds**—for working capital, machinery, equipment, etc.

Stern & Stern Textiles, Inc., New York

Aug. 29 filed 191,000 shares of common stock ($1 par). **Underwriter**—Carl M. Loeb, Rhoades & Co. **Offering**—Company is offering 51,000 shares and selling stockholders are disposing of 140,000 issued and outstanding shares. Price by amendment. **Proceeds**—Proceeds from the sale of 51,000 shares by the company will be used to reimburse treasury for funds spent on June 26 to retire 5,000 shares of preferred stock, $100 par. Offering temporarily postponed.

Stix, Baer & Fuller Co., St. Louis

Aug. 28 filed 102,759 shares common stock (par $5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." Offering date indefinite.

Stone Container Corp., Chicago

Oct. 24 filed 300,000 shares of ($1 par) common. **Underwriter** — Hornblower & Weeks, Chicago. **Offering** — Of the total, company is selling 200,000 shares and stockholders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use $1,225,000, plus a premium of $12,250, together with accrued interest, for payment of a bank loan, and $493,500, together with accrued interest, for discharge of its 10-year 6% debentures. Any balance will be added to working capital.

Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.

Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Taylor-Graves, Inc., Saybrook, Conn.

July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes. Offering temporarily postponed.

Tele-Tone Radio Corp., New York

Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Offering date postponed.

Thew Shovel Co., Lorain, Ohio

Oct. 18 (letter of notification) 2,000 shares ($5 par) common on behalf of the estate of Frank A. Smythe, deceased; Chauncey B. Smythe, Alan W. Smythe and The National City Bank of Cleveland, executors. Price, $35 a share. **Underwriter**—Smith, Barney & Co., New York. Proceeds go to the selling stockholder.

● **Thomas Robinson Co., Inc., New York**

Oct. 31 (letter of notification) 10,000 shares of stock. **Price**—$2 a share. No underwriting. For working capital.

Toledo (O.) Edison Co.

Oct. 25 filed $32,000,000 first mortgage bonds, due 1976, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $53,906,590, exclusive of interest and dividends.

● **Transcription Corp. of America, Inc., Los Angeles**

Oct. 30—(letter of notification) 750 shares ($100 par) common. **Price**—$100 a share. No underwriting. To purchase assets necessary for operation of business.

● **Tu Way Metal Rolling Co., Philadelphia (11/15)**

Nov. 5 (letter of notification) 1,500 shares of common stock (par $100). **Underwriter**—None. Price, $100 per share. Proceeds will be used to establish a plant to manufacture and sell metal elbows, U-bends and special shapes by rolling from flat plate.

United Benefit Fire Insurance Co., Omaha, Neb.

Oct. 7 filed 50,000 shares ($10 par) common. **Underwriting** — None. **Price** — $30 a share. **Proceeds** — The company stated that $500,000 of the $1,495,000 proceeds will constitute the capital of the company, and after deducting $5,000 estimated expenses, it will classify $995,000 as surplus.

● **United States Aluminum Corp. (11/12)**

Nov. 1 (letter of notification) 3,000 shares ($100 par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For working capital and payment of organization disbursements.

United States Shoe Corp., Cincinnati, Ohio

Aug. 25 filed 24,000 shares ($4 par) common. **Underwriter**—Benj. D. Bartlett & Co., Cincinnati. **Offering**—Shares will be offered to the public by seven stockholders, who will receive the entire net proceeds. Price by amendment. Offering postponed indefinitely.

● **U. S. Television Manufacturing Corp., New York**

Nov. 4 filed 300,000 shares (no par) convertible preferred. **Underwriters**—Names by amendment. Price by amendment. **Proceeds**—For working capital and expansion of business. **Business**—Production of television sets, radios and radio-phonographs.

(Continued on page 2382)

(Continued from page 2381)

Upper Michigan Power & Light Co., Escanaba, Mich.

July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities. Offering date indeterminable at present.

Valsetz Lumber Co., Portland, Ore.

Oct. 4 filed 14,000 shares ($100 par 2% cumulative Class A preferred and 2,000 shares ($100 par) 2% cumulative Class B preferred. **Underwriters** — None. **Offering** — Stocks will be offered for sale to customers and former customers of the Herbert A. Templeton Lumber Co. with whom the registrant has an exclusive sales contract whereby all the lumber produced by the registrant will be sold to Templeton. **Price**—$100 a share for each class of stock.

Velvet Freeze, Inc.

July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share. Offering postponed indefinitely.

Warwick Apartments, Inc., Red Bank, N. J.

Oct. 8 (letter of notification) 39,948 shares of capital stock. Offering price, $3.45 a share. **Underwriter**—Ray H. Stillman, Eatontown, N. J., will act as selling agent. **Purpose**—To acquire all of the equity in Warwick Gardens, Inc., which owns certain improved real estate at Red Bank, N. J.

Weatherhead Co., Cleveland, Ohio (11/19)

Oct. 29 filed $3,000,000 of serial debentures, due serially from 1952 to 1966. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago. Price by amendment. **Proceeds**—Of the net proceeds, the company will use $900,000 for payment of its note in that amount to The National City Bank of Cleveland. The balance will be added to general funds.

Webster Electric Co., Racine, Wis.

Sept. 3 filed an unspecified number of shares of common stock (par $1). **Underwriting**—Loewi & Co., Milwaukee. **Offering**—The shares are being sold both by the company and by shareholders. The respective amounts will be supplied by amendment. Price by amendment. **Proceeds**—Company will use about $210,000 of its net proceeds to redeem 645 shares of its prior preference stock at $110 a share and accrued dividends, and 1,386 shares of second preference stock at $100 a share and accrued dividends. The balance will be added to general corporate funds.

West Coast Airlines, Inc., Seattle, Wash.

Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

West Virginia Water Service Co.

Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

Westinghouse Electric Corp.

Aug. 14 filed 1,647,037 shares ($12.50 par) common. **Underwriter**—Kuhn, Loeb & Co. **Offering**—Stock will be offered for subscription to holders of outstanding preferred stock and common stock in ratio of ⅛ share for each share of common or preferred held. Unsubscribed shares will be sold to underwriters. **Price**—By amendment. **Proceeds**—To reduce bank loans. Offering temporarily postponed.

Wheeler, Osgood Co., Tacoma, Wash.

Oct. 7 filed 80,000 shares ($5 par) 50c cumulative convertible preferred stock and 100,000 shares ($1 par) common. **Underwriter** — Names by amendment. **Price** by amendment. **Proceeds**—Will be used to redeem $625,000 4% bonds and $638,600 first and second debentures; balance for working capital.

White's Auto Stores, Inc.

Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

Winters & Crampton Corp., Grandville, Mich.

Aug. 28 filed 119,337 shares of common stock (par $1). **Underwriter**—E. H. Rollins & Sons, Inc. **Offering**—Company is initially offering the stock to its common holders at the rate of one share for each two shares held. Price by amendment. **Proceeds**—To retire a conditional sales contract obligation held by the Reconstruction Finance Corp., pay off bank loans of $600,000, and for working capital. Offering date indefinite.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Yolande Corp., New York (11/14-20)

Sept. 17 filed 50,000 shares ($1 par) common stock. **Underwriters**—Headed by E. F. Gillespie & Co., and includes Childs, Jeffries & Thorndike, Inc., New York; Courts & Co., Atlanta; Irving Rice & Co., St. Paul, and Maxwell, Marshall & Co., Los Angeles and New York. **Price**—$10 a share. **Proceeds**—Estimated net proceeds of $400,000, together with $87,125 from the sale of 10,250 additional common shares to J. William Anchell, Vice-President, at $8.50 a share, will be used partly for the purchase of 10,995 shares of capital stock of Island Needlework, Inc., of Puerto Rico, out of a total of 11,000 outstanding shares. The shares will be purchased for a total price of $220,522 from Mrs. Gertrude S. Korsh, sister of Herbert L. Miskend, President and Treasurer of Yolande Corp. Of the remaining proceeds, $68,750, plus dividends, will be used to redeem at $110 a share the company's 625 shares of $100 par 6% cumulative preferred stock. The balance will be used to reimburse the company's treasury for previous expenditure and for additional working capital.

Zatso Food Corp., Philadelphia

Oct. 18 (letter of notification) $100,000 5% cumulative preferred stock (par $100) with common stock as bonus. Price, $100 per unit. For purchase of raw materials and for general conduct of business. **Underwriter**—Ludolf Schroeder, 1614 Cambridge St., Philadelphia.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

Chesapeake & Ohio Ry. (11/7)

Nov. 7 company will receive bids for the purchase of $1,500,000 equipment trust certificates. The certificates, dated Dec. 1, 1946, and maturing in equal annual instalments from Dec. 1, 1947 to Dec. 1, 1956, are designed to finance a part of the purchase price of new equipment costing an estimated $1,896,717. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.), and commercial banks.

Chicago & North Western Ry. (11/7)

Bids for the purchase of $10,140,000 equipment trust certificates, to be dated Dec. 1, 1946, and due serially in equal annual instalments, will be received at company's office 400 West Madison St., Chicago, up to 12 noon CST Nov. 7. Dividend rates to be specified in bids. Probable bidders include Otis & Co.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); Halsey, Stuart & Co. Inc., and Middle West banks.

● Chicago Rock Island & Pacific Ry.

Nov. 6 reported company planning issue of $2,600,000 in equipment trust certificate. Probable bidders include Salomon Bros. & Hutzler; Halsey, Stuart & Co. Inc. and Harris, Hall & Co. (Inc.).

● Eastern New York Power Corp.

Nov. 5 corporation (to be formed by merger of Hudson River Power Corp. and System Properties Inc.) filed plan with SEC, which among others provides for issuance by new company of $9,861,000 of sinking fund bonds due 1961 and $3,000,000 2nd mortgage bonds (latter to be purchased by International Paper Co.).

● El Canada Columbia Mines Co.

The Massachusetts Department of Public Utilities has authorized the company to sell in Massachusetts 50,000 shares ($1 par) common at an offering price of $1 a share, provided that no commissions or expenses are to be allowed by the company to any persons in connection with the offering, nor shall any of the common stock that has been received or is about to be received by officers or directors for services rendered or expenditures made on behalf of the company, be offered for sale until the expiration of a one-year period after the 50,000 shares of common stock now authorized for sale have been bought and paid for. The application of the company for registration as a broker-corporation has been granted with the stipulation that the registration as a broker is limited to sale in the Commonwealth of securities of El Canada.

● Goodall-Sanford, Inc.

Oct. 29 stockholders voted to create a new issue of 45,000 shares of cumulative preferred stock (par $100). Proceeds will be used to redeem outstanding $4,379,500 3½% debentures. Probable underwriters, W. C. Langley & Co. and Union Securities Co.

● Gulf Mobile & Ohio RR.

Nov. 6 reported company has under consideration plans for sale of $25,000,000 in new bonds. The new issue, it is understood, will be designed to replace at lower cost certain of the road's outstanding obligations and to provide funds for other purposes. Probable bidders include Shields & Co.; Halsey, Stuart & Co. Inc.

● Harman (William H.), Inc., Philadelphia

Nov. 1 reported planning sale of $2,500,000 stock, with Smith Barney & Co. as possible underwriters. Company manufactures prefabricated homes.

● Missouri-Kansas & Texas RR.

Nov. 6 reported company has under consideration the issuance of $2,500,000 in equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc. Salomon Bros. & Hutzler.

● Northern Pacific Ry. (11/19)

Nov. 4 company has issued invitation for bids to be considered Nov. 19 for $6,880,000 of equipment trust certificates. The certificates, dated Dec. 10, 1946, will mature in equal annual instalments of $688,000 each Dec. 10 1947-56. Probable bidders include Halsey, Stuart & Co Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.) and midwestern banks.

● Southern Indiana Gas & Electric Co.

Oct. 30 Commonwealth & Southern Corp. filed with the SEC a proposal to offer in exchange for up to 114,283 shares of its outstanding preferred stock, $6 series, portfolio holdings of the common stock, (no par) of its subsidiary, Southern Indiana Gas and Electric Co. The offer of exchange would be 3½ shares of Southern Indiana common for each share of Commonwealth's $6 preferred stock. The exchange would be solely on a voluntary basis, no stockholder being required to accept it, and the offer would remain open until 3 p.m., on the 15th day after mailing the offer of exchange. Unexchanged Southern Indiana common would be sold by Commonwealth in the open market.

Dealers Take Exception to Cabell's Remarks on Margin Trading and Fighting for Free Enterprise

(Continued from page 2336)

just as logically, that the strength of the regulatory officials might prove stronger and their ideas more convincing in the end. It is actually the over-the-counter market which is upset the most over what Mr. Cabell is saying in his speeches across the length and breadth of the land. (See remarks on page 2204 of Oct. 31 "Chronicle" and further comment on page 2339 of present issue). Some conception of what is in the minds of many observers in the over-the-counter field can be had from the opinions expressed to the "Chronicle" and printed below. Additional comment is solicited. Communications should be mailed to the Editor, The Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. The names of those submitting comment will be withheld on request.

Comment No. 1

Margin trading has never assumed the importance in the over-the-counter market that it has had in the listed field. Easily 90% of all trading in unlisted securities is on a cash basis. Thus, the implication of Mr. Cabell's remarks that either the prohibition against the use of listed securities as collateral for bank loans should be lifted or similar restrictions should be applied to the unlisted securities proceeds from a false premise. When an investor purchases an unlisted stock, he usually puts it away for an indefinite period in some place of safety. An unlisted security finds its way to the auction market only when public interest in it develops to the point where such a move may be justified. I disagree with Mr. Cabell that there is anything strange in the fact that unlisted securities may be used as collateral for a bank loan. The listed and the unlisted markets are two separate and distinct things and what may apply to one does not necessarily apply to the other.

I agree with Mr. Cabell, however, that investors should be organized. I myself would like to see a strong lobby created to protect the interests of the investor. The average man in the securities business is too busy to be Johnny-on-the-spot, so to speak, to defend himself every time he should in the nation's legislative halls. An over-all organization, representative of the entire industry, could easily provide such a lobby. The National Association of Securities Dealers which Mr. Cabell includes among the groups that should spearhead such an undertaking I, too, would include. I believe the NASD, despite its tradition of disciplinary activities, could develop into an organization which would fight actively for the particular interests of its members.

Comment No. 2

If the New York Stock Exchange wants to campaign against the margin trading prohibition, it should stand on its own feet. Certainly, the arguments in favor of the lifting of margins are numerous enough and of sufficient weight to require no such bolstering as might be achieved by attacking another segment of the industry. Should Congress ever move to clamp down as hard on the over-the-counter market as it has on the exchanges, it would become only that much harder for the listed market to disentangle itself eventually from the regulatory restrictions.

Mr. Cabell's idea of getting the investors together to develop ways and means of restoring our economy to a state of health is an excellent one except that it is difficult for me to see how an organization like the National Association of Securities Dealers which is nothing but a branch of the Securities and Exchange Commission can really fight for private enterprise. The NASD does the dirty work for the SEC but it tries to operate in such a way as to give the impression the industry agrees to going along with the SEC voluntarily.

Comment No. 3

The New York Stock Exchange is short-sighted in stepping upon another branch of the business to gain its point on the matter of margin trading. Though Mr. Cabell complains that only unlisted securities can be used as collateral for bank loans, I myself want to say that anyone should have the right to fritter away his money as he will—except—when his actions are going to injure others than himself.

Mr. Cabell's idea of forming some sort of organization to represent the investment business in all its phases is not too practical. In the first place, the interests of the various segments of the industry are too opposed to one another for such an organization ever to be able to act with anything like cohesion or unity of purpose. However, I do not see why the NASD shouldn't be included in any such organization that might be formed. If the NASD is a regulatory body, so is the New York Stock Exchange.

Our Reporter's Report

The current week did not bring anything in the way of substantial new business to market, but it witnessed the piling up of considerable in the way of future projects, through the registration of several large issues with the Securities and Exchange Commission.

The nationwide election day recess presumably was a factor in buffeting off any move by corporations to bring out new financing at this time. But that there is plenty of business in prospect, both corporate and municipal, appears certain, judging from the trend.

Bethlehem Steel Corp., as expected, filed with the SEC for a prospective $50,000,000 issue of new consolidated mortgage 2¾% bonds, Series J, which it expects will reach market soon after mid-month.

A negotiated undertaking and not subject to competitive bidding the actual marketing date will be fixed between the issuer and the bankers who will handle the public offering. It will place the company in funds for expansion of its facilities.

Hiram Walker-Gooderham & Worts, Ltd. and Hiram Walker & Sons, its American subsidiary, filed for $30,000,000 of new 20-year debentures to repay bank loans and increase working capital, while Atlantic Refining Co. filed for $29,600,000 of new $100 par cumulative preferred stock which will be offered to common holders with any unsubscribed portion destined for public offering.

Meanwhile the public voted yesterday on more than a billion dollars of potential municipals, of which $810 million took the form of soldier bonus bonds in various states, opening the way for considerable business in that direction.

New Rail Issue Looms

The first piece of new railroad financing in weeks loomed into sight with reports that the Gulf, Mobile & Ohio Railroad is giving active consideration to plans for the flotation of $25,000,000 of new bonds.

The purpose of this issue, it appears, would be two-fold, to consolidate certain of its debt through retirement of issues now outstanding and to provide the road with additional working capital, making for a saving on the debt portion through a substitution of lower coupon on the projected issue.

Bonds to be retired under the plan include, it is reported, the 4s of 1975, outstanding in the amount of $5,700,000; the 3¾s of 1969 of which $10,500,000 are issued and outstanding and $5,300,000 of New Orleans, Great Northern Railway 5s of 1983.

Housing Issues Win

With the count on many soldier bonus bond issues still to be reported, it was indicated that proposals for public housing were heavily supported in Tuesday's balloting, that is if the results in New York and New Jersey may be accepted as a guide.

A proposal calling for a bond issue of $35,000,000 for veteran housing appeared to have been carried by a heavy margin in New Jersey, while in New York the proposition to lift the ante of the State Housing Authority also was approved by a substantial edge.

With some $200,000,000 of other municipal and state bond issues proposed, and presumably largely favored, it appeared that municipal issues shape up in good volume for the future.

Sharot-May Co. Stock Placed on Market

Public offering of 90,000 shares of 25 cents par value common stock of Sharot-May Co. Inc., distributors of various lines of chainstore merchandise in foreign markets, was made Oct. 29 by Hautz & Engel. The stock was priced at $3 per share.

Sharot-May will use the proceeds from the sale of this stock to pay the outstanding debt of the company to its factors and to eliminate the necessity of maintaining factoring arrangements which have been exceedingly costly and which presently retard the corporation from increasing its business. It is anticipated that the elimination of these factoring charges will substantially increase profits on sales, and the additional available capital will permit the company to expand its business.

Outstanding capitalization, upon completion of this financing, will consist of 278,348 shares of 25 cents par value common stock out of a total authorized issue of 500,000 shares.

SITUATION WANTED

TRADER

15 years' experience in Listed and Unlisted Securities. Registered Representative presently employed, seeks change. Box K 1031, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Join Lee Higginson Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — John W. Ahearn and Edward J. Brown are now affiliated with Lee Higginson Corp., 50 Federal Street.

Goodbody & Co. Adds Zahn

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Joseph S. Zahn, Jr., has become associated with them as a registered representative in their investment department.

DIVIDEND NOTICES

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, N. Y., October 29, 1946.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the outstanding capital stock, payable December 14, 1946 to shareholders of record at the close of business November 15, 1946.

C. O. BELL, Secretary.

PLYMOUTH DODGE **Chrysler Corporation** DE SOTO CHRYSLER

YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable December 14, 1946, to stockholders of record at the close of business November 16, 1946.

B. E. HUTCHINSON
Chairman, Finance Committee

THE FLINTKOTE COMPANY

FLINTKOTE PROTECTION

30 Rockefeller Plaza
New York 20, N. Y.
November 6, 1946

Preferred Stock

A quarterly dividend of $1.00 per share has been declared on the $4 Cumulative Preferred Stock of this corporation, payable on December 16, 1946 to stockholders of record at the close of business December 10, 1946. Checks will be mailed.

CLIFTON W. GREGG,
Vice Pres. and Treas.

Newmont Mining Corporation

Dividend No. 73

On November 6, 1946, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable December 16, 1946, to stockholders of record at the close of business November 29, 1946.

H. E. DODGE, *Treasurer.*

Esso

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared the following dividends on the capital stock, payable on December 12, 1946, to stockholders of record at close of business, three o'clock, P.M., November 15, 1946:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of $1.00 per share.

Checks will be mailed.

A. C. MINTON, Secretary

November 1, 1946

Portland Pipe Line Company

as part of a Plan of Dissolution will pay to stockholders of record of Standard Oil Company (New Jersey) in conjunction with the above payment a disbursement of 8¢ per share. The disbursement will be explained in a communication accompanying the check on December 12, 1946.

JOHN MILLER, Secretary

November 1, 1946

With F. L. Putnam & Co.

BOSTON, MASS.—Alphonse W. Strycharz and Richard C. Whiting have become connected with F. L. Putnam & Co., Inc., 77 Franklin Street.

DIVIDEND NOTICES

Imperial Oil Limited

Toronto 1, Ontario

NOTICE TO SHAREHOLDERS AND THE HOLDERS OF SHARE WARRANTS

NOTICE is hereby given that a dividend of 25 cents per share in Canadian currency has been declared, and that the same will be payable on or after the 2nd day of December, 1946, in respect of the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 66 at:

THE ROYAL BANK OF CANADA
King and Church Streets Branch
Toronto 1, Canada.

The payment to Shareholders of record at the close of business on the 15th day of November, 1946, and whose shares are represented by Registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 29th day of November, 1946.

The Transfer books will be closed from the 16th day of November to the 30th day of November, 1946, inclusive, and no Bearer Share Warrants will be converted into other denominations of Share Warrants during that period.

The Income Tax Act of the Dominion of Canada provides that a tax of 15% shall be imposed and deducted at the source on all dividends payable by Canadian debtors to non-residents of Canada. The tax will be deducted from all dividend cheques mailed to non-resident shareholders and the Company's Bankers will deduct the tax when paying coupons to or for accounts of non-resident shareholders. Ownership Certificates must accompany all dividend coupons presented for payment by residents of Canada.

Shareholders resident in the United States are advised that a credit for the Canadian tax withheld at source is allowable against the tax shown on their United States Federal Income Tax return. In order to claim such credit the United States tax authorities require evidence of the deduction of said tax, for which purpose Ownership Certificates (Form No. 601) must be completed in duplicate and the Bank cashing the coupons will endorse both copies with a Certificate relative to the deduction and payment of the tax and return one Certificate to the Shareholder. If forms No. 601 are not available at local United States banks, they can be secured from the Company's office or The Royal Bank of Canada, Toronto.

Subject to Canadian regulations affecting enemy aliens, non-residents of Canada may convert this Canadian dollar dividend into United States currency or such other foreign currencies as are permitted by the general regulations of the Canadian Foreign Exchange Control Board at the official Canadian Foreign Exchange Control rates prevailing on the date of presentation. Such conversion can be effected only through an Authorized Dealer, i.e., a Canadian branch of any Canadian chartered bank. The Agency of The Royal Bank of Canada, 68 William Street, New York City, is prepared to accept dividend cheques or coupons for collection through an Authorized Dealer and conversion into any permitted foreign currency.

The Secretary will on request and when available forward to the holder of any Bearer Share Warrant of the Company a copy of the Company's annual report for the fiscal year 1945.

By order of the Board,

COLIN D. CRICHTON, General Secretary.

56 Church Street,
Toronto 1, Ontario.
November 4, 1946.

DIVIDEND NOTICE

NEW YORK STOCKS, INC.

The following year end distributions have been declared on the Special Stock of the Company, payable November 25, 1946 to stockholders of record as of the close of business November 6, 1946.

	From Income	From Profits	Total
Agricultural Series	$.18	$1.83	$2.01
Alcohol & Dist. Series	.18	1.75	1.93
Automobile Series	.10	.30	.40
Aviation Series	.24	.80	1.04
Bank Stock Series	.10	.02	.12
Building Supply Series	.07	.10	.17
Business Equip. Series	.13	1.33	1.46
Chemical Series	.09	.60	.69
Electrical Equip. Shares	.08	.73	.81
Food Series	.10	1.87	1.97
Government Bonds Series	.05	.50	.55
Insurance Stock Series	.02	.71	.73
Machinery Series	.08	.64	.72
Merchandising Series	.15	1.89	2.04
Metals Series	.08	.04	.12
Oil Series	.14	.10	.24
Public Utility Series	.04	.74	.78
Railroad Series	.07	.52	.59
Railroad Equip. Series	.12	.18	.30
Steel Series	.11	.27	.38
Tobacco Series	.10	.08	.18
Diversified Investment Fund	.19	.22	.41
Diversified Speculative Shares	.09	.70	.79

HUGH W. LONG and COMPANY
Incorporated

48 Wall Street New York 5, N. Y.
Los Angeles Chicago

UGI

A dividend of 65 cents per share on the Capital Stock, par value $13.50 per share, has been declared, payable Dec. 18, 1946, to stockholders of record Nov. 20, 1946.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

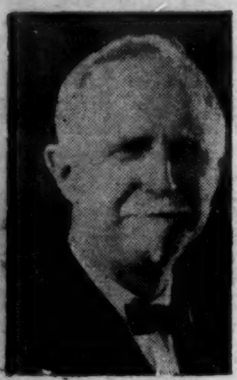
October 22, 1946 Philadelphia, Pa.

Investment Suggestions

By ROGER W. BABSON

Asserting big cities are featured for too much, Mr. Babson advises investment in small farms by persons having outside source of income as the finest insurance world offers. Also recommends good business property in small rural districts, free from bombing attacks in World War III. Gives lists of 10 stocks of companies having plants in small cities.

October is my month for travelling. The first half I spent viz: in New York, where due to the trucking strike I couldn't get a glass of milk; in Boston, where due to its narrow streets I couldn't park a car within two miles of the place I wanted to visit; in dirty and windy Chicago, with its rum-shops, vice and foul entertainments; in Kansas City, noted for its rotten politics; and in St. Louis, which seems to me to be the coldest city in the winter and the hottest in the summer.



Roger W. Babson

The Real America

Although the ten largest cities of the United States have 30,000,000 people, or nearly 20% of the entire population, yet they do not represent the American people. The true Americans are found in the small cities of the farming and cattle sections which I so love to visit. Here, the people create the real wealth which is sucked into the sewer holes of these ten largest cities and flows away to the sea.

It certainly is inspiring to look from a train window and see the golden fields of wheat, corn and other products. Yes, fine dairy cattle, steers, hogs and poultry are here galore. Last night I had the juiciest steak that I have ever eaten. Whether it is due to the bad movies, or radio news, or love magazines, I do not know; but certainly the big cities are featured far too much. The little cities should band together and do some advertising.

Don't Like Big Farms

This does not mean that readers should now come out here and buy farms. Big commercial farms are "big business" like steel plants, shoe factories or department stores. Moreover, I think that next year will see a break in the price of many farm products which should react in lower prices for commercial farms. I do, however, look upon the small sustenance farm, where the owner has an outside source of income, as the finest insurance that the world offers.

I especially recommend good business property in small rural cities. Even though much of this is now selling higher than before the War, I still believe it is among the safest investments if kept well maintained and properly insured. If you do not want the care of such property, you can loan on a mortgage thereon and get 4% interest safely. Of course, you should select a section of the country which will be free from bombing attacks in World War III.

Investing Money

Readers who cannot conveniently buy such property, can secure the same protection which such rural communities offer by buying the stocks of certain companies whose assets are mostly located in small interior cities. Just before leaving home my secretary asked me about the investment of $5,000 which she had heretofore refrained from investing because of the high prices of the past year. Now, due to the recent drop, she feels it is a good time to dip in. Shall I advise her to buy securities of companies with their plants in big cities? Not much!

I am now suggesting that she buy these ten stocks: General Foods, Kruger Grocery, and Pet Milk as representing the food group; J. C. Penney Company, and McLellan Stores, as representing the merchandizing group; Diamond Match, and Deere & Company as representing building materials and machinery; Corn Products and Quaker Oats as representing the feed industry. For good measure I included St. Joseph Lead where she can hide her money underground in a metal which actually is more valuable than gold. The assets of these companies are not in big cities but are distributed throughout the great agricultural districts in useful industries which serve mankind.

More Suggestions

The above ten stocks will take all the spare money which my secretary has, but while on this trip I have decided to add to my Safe List: the beet sugar stocks and Greyhound Bus stock. Also the bonds of the Kansas City & Southern R. R. Co. and of the Western Union Telegraph Co. Again, I urge diversification. Never put more than 10% of your money in any one industry or more than 5% of your money in any one company. All the above securities are listed on the New York Stock Exchange and can be bought through your local bank.

Edmond Heller with Bache & Co. in Boston

BOSTON, MASS. — Bache & Company, members of New York Stock Exchange, announce that Edmond A. Heller, formerly with Josephthal & Co., has become associated with the firm in its Boston office at 21 Congress Street. Mr. Heller has been in the brokerage business in Boston for 25 years, and will be co-manager of the Bache office with J. Russell Power.

With E. F. Hutton Co.

LOS ANGELES, CALIF.—Irving S. Frank, Jr., and Robert J. M. Fyfe, Jr., have been added to the staff of E. F. Hutton & Co., 623 South Spring Street.

With Buckley Brothers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Hyrum R. Archibald has become associated with Buckley Brothers, 530 West Sixth Street. He was formerly with G. Brashears & Co. and First California Company.

PERIOD	SALES
1st quarter	$147,321
2nd quarter	237,299
3rd quarter	397,510

Final Edition

ESTABLISHED 1839

In 3 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 164 Number 4540 New York, N. Y., Thursday, November 7, 1946 Price 60 Cents a Copy

Britain's Economic Position One Year After V-J Day

Herbert Morrison, Lord President of the Council, states economic and social threats which followed war offensives, are being controlled and repulsed. Reports Government strategy as: (1) creating and maintaining "suitable conditions," through proper use of controls and subsidies; (2) creating full employment through "smooth transference" from war to peace economy; (3) strong priorities for "export drive"; (4) vigorous production campaign; and (5) thorough economic planning. Claims output is generally satisfactory, and shortages result from demand far in excess of prewar.

LONDON, ENG.—Mr. Herbert Morrison, M.P., Lord President of the Council, speaking at a press conference in London on Oct. 18, made the following remarks, which are of special interest at this time in view of the American trade proposals now under discussion in an international conference in London. In connection with that conference British Government spokesmen have been cautioning that unless the USA succeeds in maintaining full employment at home any international trade charter will prove vain. Mr. Morrison is in charge of official planning for full employment in the UK. His remarks follow:

Herbert Morrison

"During the war as one phase followed another we used to have opportunities to size up at intervals how the campaigns were going. It was a useful practice and I hope we will keep it up in peace, especially in this troubled after-math which is so unpleasantly like war minus the bangs and the bloodshed.

"We have now a fairly complete statistical picture of the first year after V-J Day. Looking back we can see that as soon as the bombers, the V1s, the V2s, the Panzers, the E boats and the U boats, ceased to be flung at us a whole group of new enemies were ready to go into the attack. There was a great blow aimed at our stomachs by the threat of world famine. Another blow was directed at our hearths by the worldwide shortage of coal and other forms of fuel. A third big attack threat-

(Continued on page 2391)

Let's Cut Our Military Costs With Trade, Travel and the Facts

By PHILIP D. REED*

Chairman, General Electric Company; Chairman, United States Associates, International Chamber of Commerce.

Citing high cost of our military establishment as insurance against war—taking 50 cents of every tax dollar—Mr. Reed stresses necessity of reducing hazard of international warfare. Holds this should be done by (1) increasing import and export trade through drastic tariff reductions; (2) encouragement and facilitation of international travel; and (3) effectively telling the world the facts about America.

Let me say at the outset that I believe America must maintain a strong, modern military machine. We must not only be formidable—and, if possible, *the most* formidable—in land, sea and air forces but we must be *known* in the capitals of the world to be in this commanding position.

Philip D. Reed

The reason for this is, of course, that a powerful military establishment is an insurance policy against war. Its very existence is a powerful deterrent against warlike acts by others. That is should be necessary at this stage of the development of human civilization to carry insurance against international war is deplorable and shocking. But in the light of the first-hand experience of two generations now living, few would dispute the fact that the necessity is very real.

The dreadful thing about this insurance is that it costs so much. During the fiscal year ending June 30, 1947 the American people will pay more than 10% of the total national income and roughly 50% of the Federal Government's total tax receipts for the support and development of our Army, Navy and Air Force. This is the premium we are paying on our insurance policy against war. If you and I were using half our income to pay our

(Continued on page 2390)

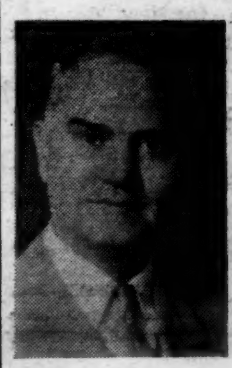
*An address by Mr. Reed at a dinner of the New York Financial Writers Association, New York City, Oct. 28, 1946.

How Long Will Prosperity Last?

By HARRY A. BULLIS*

President, General Mills, Inc.

Prominent business executive points out, as result of war national income has doubled and people have a greatly increased money supply, because of government borrowing, so they now seek higher living standards. Holds these factors have created heavy consumer demand, but foresees a readjustment such as took place in 1920-1921. Says stock market break could have come at "no better time," since it curbed inflation and gave reason for restraint on wage demands. Sees need for greater efficiency and productivity, and calls for living within our means by both government and people.



Harry A. Bullis

Whether we realize it or not, we are all concerned with what is going on in the world at large. Modern transportation and modern technology have made this sphere truly "one world," and what happens in any part of it, whether good or bad, affects the daily life of all of us. We who are in business know that this is the case, but we are not always properly impressed with the im-

*From an address by Mr. Bullis at a meeting of Newspaper Food Editors, Chicago, Ill., Oct. 29, 1946.

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GENERAL CONTENTS

*Not Available This Week.

As We See It

EDITORIAL

Where To Go From Here

The expected has happened! History has repeated itself with a vengeance. The party of Franklin D. Roosevelt has been repudiated, although precisely what policies and programs of that party have been rejected remains a subject for debate. There can be no question, however, that something akin to a political revolution has taken place.

The people of this country "have had enough" of a number of things. Housewives are as tired of seeking in vain for day-to-day household needs as their husbands are weary of feeling the lack of them. Millions of businessmen and farmers from one end of this country to the other are sick unto death of the trials and tribulations they have been and are still obliged to undergo in an effort to earn a living in this once free country of ours. It is definitely being borne in upon the consciousness of most members of the business community that in addition to all this, or as a result of it, what is known as prosperity—so far as we have had it in reality—may presently slip away from us. All, or virtually all, Americans are demanding that "something be done about it." This much the voting on Tuesday definitely proves.

How much further than this public thinking has gone it would be very difficult to say at this time. It is doubly important, therefore, that we sit down now that the campaigns are over and consider with care precisely what must be done to right the situation. The thoughtful citizen will

(Continued on page 2388)

From Washington Ahead of the News

By CARLISLE BARGERON

There have been a lot of crocodile tears around here in the past few weeks over what would happen to Mr. Truman in the event of the expected Congressional overturn. As we understand it, he is a man whom everybody loves, and they think it is perfectly awful that he should have been called upon to inherit the mantle of the great Franklin Delano Roosevelt. No one in our midst, we being a race of ordinary people, could have adequately taken on that load.

Carlisle Bargeron

This being the attitude, the New Dealers went through the campaign never mentioning his name. For one of the few times in history, if not the only one, and after all, this correspondent has not lived through all time, no single Democratic or New Deal candidate campaigned on the grounds that he was needed in Washington to help the President, which is to say that no one of the "ins" was trying to ride on the coattail of the White House incumbent. On the other hand, the Republicans did not make a campaign against him. They had a way of saying that he was a tremendously good fellow, a good American, but that his soul was not his own.

The point is that in the memory of this oldest inhabitant the incumbent of the White House has not figured, but slightly, if any at all, in the off-year campaigns.

Mr. Truman said privately when asked if he planned to make a speech in favor of the candidates, no, he didn't think it would be of any assistance to them. There is something pathetic about that and it is indicative of the feeling in which Mr. Truman is held.

However, there was a sort of backhanded propaganda in the campaign on the part of the New Dealers. They put Roosevelt's voice on the air, shouted about the continuation of his policies. This being ineffective, they started the propaganda about what an awful fix the country would be in, if the Republicans should have control of Congress with a Democrat in the White House. A stalemate in government, we were told it would be; the country would be estopped in its forward progress, in its assuming its "proper leadership" in world affairs, and what not.

It should be interesting to know what Mr. Truman thinks of that. From the best information we can gather, he will, in a couple of

(Continued on page 2393)

Again, Mr. Churchill!

"Certainly I hope for a broad peace to be gained by the world—a peace for all, a peace and reconciliation for all, vanquished as well as victors. I trust the statesmen who manage our affairs will make sure that all the healing processes which time and nature can supply will at least be allowed to flow freely and our bitter hatred of the past may gradually be assuaged.

Winston Churchill

"We're told that one of the great evils from which we suffer is international suspicion. There's a very good remedy for suspicions. It is the full disclosure of facts, and that simple remedy I hope will be applied to the world situation by the United Nations organization now meeting in the United States.

"What is called war talk will be swept away by an interchange of actual military facts, supported by adequate reciprocal inspections on terms of honorable equality between all powers, great and small, which are involved. That will be a great step forward in itself and may lead the way to others."—Winston Churchill.

Again Mr. Churchill seems to have put us all in his debt.

This ardent, implacable, dauntless warrior at times appears to be almost alone in the realization of the need of assuaging bitterness.

Whatever the best method of attaining it, all peoples badly need relief from the present burdens of armament, and this they are not very likely to get so long as even one nation may be secretly doing what Japan did in the 1930's.

Letter to the Editor:

Wants Gold Restored to People

Edward Henry Neary writes "Chronicle" our present monetary system is based on fiat money, which always has had terribly injurious effects. Says our monetary laws are like spider webs through which mighty and rich break, but which ensnare only weak and poor.

Editor, Commercial & Financial Chronicle:

Felix qui potuit rerum cognoscere causas—Happy is he who has been able to learn the causes of things (Virgil, Georg. II, 489).

Money is rationalized by comparing it to the syllogism and to the first axiom of Euclid; the errors of the State Theory of Money, of Managed Currency, of Debt Money, and of Fiat Money generally, are also thereby exposed.

The form of the syllogism is, (1) A equals B; (2) B equals C; therefore, (3) A equals C. Note that B occurs in (1) and (2); it is the standard with which A and C are compared; it is the middle, the medium. But suppose some slicker, like a shell game operator, changes B quickly before it is placed in (2); then (3) is, A does not equal C.

The first axiom of Euclid, i. e. Things which are equal to the same thing are equal to one another, may be considered a generalization of the syllogism. "The same thing" corresponds to B.

A farmer raises crops and wishes manufactured articles. He can shop around until he finds a manufacturer who will exchange his products for the crops; but his farm may be overgrown with weeds before he finds one. Then, how much, wheat e.g., should he exchange for the article? Silly! Of course he takes his crops to market, sells them in competition with other farmers and gets gold, "B," and with gold, "the same thing," buys what he wishes.

A thing, material substance, matter, is characterized by extension, dimensions, length, breadth and thickness, and by mass, weight. There are upward of 90 such, each called an element; therefore chemical composition is incidental to matter.

The name of a thing is a concrete noun, as gold, silver. Some ideas are drawn from, or in relation to, things; ideas, e. g. value, have no extension, mass or chemical composition; the noun "value" is abstract; value has no separate existence; it simply does not exist; it is only a concept of the mind. B, the same thing, and money must be a thing, a material substance to which the mind may attach the idea of value; the thing measures value. Gold served as a common measure of the value of the crops and of the articles, i.e. it was the standard of value, and for that reason it was the medium of exchange. But if gold were not a repository of value it could have been neither a standard nor a medium. How many nothings were the crops worth? The articles?

Standard units of value, such as the dollar, are measures of weight of gold and of its fineness, e. g. the dollar is 15 5/21 grains of gold 0.9 fine. (Letter Secty. Treasury, Sept. 18, 1946; proclamation Jan. 31, 1934; Agricultural Adjustment Act of May 12, 1933, sec. 43 (b) (2); U. S. Code, title 31, sec. 314; Constitution, Art. 1, sec. 8, clauses 1 and 5.) The last gives the Congress power: "To coin money, regulate the value thereof." To coin money, means to stamp metal. There is no such thing as value, therefore it is impossible for the Congress to regulate it. All the Congress can do is to chose the metal, gold; prescribe the fineness thereof, 0.9; and fix the weight of the standard, 25.8 grains troy, depreciated by the President by the proclamation above to 15 5/21, a loss of 10 59/105 grains. God created the heavens and the earth, but not value nor tender in payment of debt alias legal tender; I suspect Satan invented tender!

A connotation of the definition of the dollar as gold, is that gold can not have a price; gold is the price; price is the amount of gold for which other things exchange. As said in the Bullion Report, an ounce of gold always exchanges for an ounce of gold. It is an application of the Law of Identity; therefore comparison with a syllogism may help. Gold is a metal; all metals are elements; therefore, gold is an element. Here gold is compared with other things; in the proposition gold is not compared with any other thing; different weights, i. e., dollars and price, of the same identical thing, i. e. gold, only are involved.

What is erroneously called the price of gold is the monetary value or coinage value, i.e., the number of pieces which an ounce (480 grains) of fine gold, renders; now $35, i. e., 480 divided by 13 5/7.

The importance of understanding that gold can not have a price is illustrated by the action of the Administration in forcing down the paper dollar intermediate May 12, 1933 (Inflation Act) and Jan. 31, 1934 (Depreciation Proclamation). One means was to raise the price of gold, as they called it! See Federal Reserve Bulletins Nov. 1933, ss. and daily quotations of the dollar in francs which were then gold. Acts were introduced in the 79th Congress further to raise the price of gold! i. e., to depreciate.

Another connotation of the definition is that gold coin and bullion pass by weight and not by tale, i. e., by count. Minor coins and paper money pass by count. See U. S. Code, title 31, sec. 318, tolerance, i. e., gold coin are accepted by the Treasury at face value if they have not lost by natural abrasion more than ½ of 1% of weight after a circulation of 20 years and pro rata for shorter times.

The State Theory of Money, i. e., that the Government gives value to money by its fiat, its say-so, and the stamp that the stamp of the mint gives a value to gold coin (Norman v. U. S., 294 U. S. 240) are thus shown to be erroneous. In fact, when gold was in circulation, properly certified bars, in large transactions, sold at a premium over coin because it was necessary to melt assay and weigh the coin in order to avoid counterfeits and short weight below tolerance.

The theory of managed or manipulated currency is also thereby shown to be erroneous. Indeed the basic law of thought is an analogue of the first axiom, i e., Two terms agreeing with one and the same third term, agree with each other. The theory is therefore irrational, contrary to reason; illogical.

Promises to pay dollars, i. e., notes or promissory notes, and bills of exchange, debts and credits, can not possibly be dollars; they are obligations to pay dollars: they depend for their value on the wealth of the promissor, or debtor, his morals and the availability of his wealth to seizure in case of default in payment. A promissory note is an evidence of debt; monetizing debt simply changes the form of the debt; but it humbugs some people!

But payment of the gold has been stopped, so we have the name, dollar, but not the substance, the gold, symbolized by the name dollar; that is, fiat money, mostly greenbacks in all but name. It has been tried time and again in many places always with terribly injurious effects. It is the basis of the most devastating sort of inflation; no laws, even with the sanction of the death penalty, can stop the operation of cause and effect. Such laws are like spiders' webs through which the mighty and rich break and which catch only the weak and poor, as Anacharsis said. (Plutarch, Solon.)

The moral aspect of the subject is left to the conscience of the reader.

Such laws should be repealed and gold restored to the people.

EDWARD HENRY NEARY.
Port Washington, N. Y.

President Names Atom Energy Commission

After three months of deliberation President Truman on Oct. 28 appointed the members of the Atomic Energy Commission created by Congress last July in its Atomic Energy Act, thus conferring upon civilians unprecedented powers and removing from military control development projects in the use of atomic energy. As Chairman of the new Commission the President named David E Lilienthal, who resigned as Chairman of the Tennessee Valley Authority, the post he held since 1941. The other four members named, according to Associated Press Washington advices, are:

Dr. Robert Fox Bacher, 41, Cornell physicist who worked on the atomic bomb and is scientific consultant to Bernard M. Baruch on the United Nations Atomic Commission.

William Wesley Waymack, 58, Pulitzer prize-winning editor of the Des Moines (Iowa) "Register" and "Tribune" and a director of the Chicago Federal Reserve Bank.

Sumner Tucker Pike, 55, of Lubec, Me., former insurance executive and member of the Securities Commission.

Rear Admiral Lewis Lichtenstein Strauss, retired, 55, former Secretary to Herbert Hoover, member of the Army-Navy Munitions Board, now a partner in the New York banking firm of Kuhn, Loeb & Co.

Little opposition is expected to the appointments which are subject to Senate confirmation.

The President issued a statement making it clear that "the entire program" of atomic energy carried on by the Army during the war is being transferred to the civilians of the new Commission, but he said "the orderly transfer of functions and properties from the Manhattan District may well extend over a period of months."

The following is described in the Associated Press accounts as the tasks which the new atomic energy commission will undertake:

Conduct its own research, and promote research by others.

Own and operate facilities for making fissionable material. No one else may do this except under license from the commission.

Own all plutonium, uranium and other material which the commission deems capable of releasing "substantial quantities" of atomic energy. Any now privately owned will be taken over and paid for.

Prospect for new material.

Buy fissionable material abroad, if necessary, for defense.

Distribute atomic material for research or medical use, making its own rules as to charges and other terms.

Conduct military research and make atomic bombs for the armed forces.

License the manufacture of equipment and devices for using atomic energy.

Issue reports on any atomic energy developments for industrial and commercial use.

Take over for public use, with just compensation, any patents for making or using atomic energy.

Control any dissemination of secret information.

Issue regulations for safety, health and other purposes in the atomic field.

Report to Congress at least twice a year.

Small Loan Head Urges Elimination of Reg. W

Byrd E. Henderson, President of Household Finance Corporation, was on Oct. 19 elected President of the American Association of Small Loan Companies at the annual convention of the Association held at the Hotel Commodore in New York City. In an acceptance speech before members of the Association, Henderson strongly urged the elimination of Regulation W and useless reporting.

"Regulation W of the Federal Reserve Board became effective in September, 1941," said Mr. Henderson, who went on to say:

"It was announced as a wartime emergency measure. The war has now been over for almost a year and a half, but Regulation W remains. The supervising officials, having tasted this temporary form of control, are now plugging for its permanent retention. Regulation W is no longer needed in the cash lending business, if it ever was. It is high time that this particular field was again permitted to operate under the natural laws of supply and demand. Regulation W's impact is primarily on the lower income groups. It is discriminatory and unfair to such people."

He told the group that they can expect efforts on the part of certain government officials to retain Regulation W or pass permanent federal legislation to take its place. "We must prevent these efforts from succeeding," he said. Mr. Henderson also advocated elimination of useless state regulation and reporting. The small loan business is he said conducted under state laws and hence is subject primarily to state regulation and control.

Mr. Henderson is the 30th President of the American Association of Small Loan Companies, which was organized in 1916. This Association is the only national trade association of small loan companies and has over 2,000 memberships in the U. S. Mr. Henderson reported that according to Federal Reserve figures, the amount of customer notes receivable on the books of such lenders was $535,000,000 on Aug. 30, 1946, which compares with $158,000,000 for credit unions, $184,000,000 for industrial banks, and $792,000,000 for the personal loan departments of commercial banks.

Conference Bd. Elects Councillors, Others

Two Councillors and 50 Board Members were elected or reelected at the 281st Meting of the National Industrial Conference Board held Oct. 24 at the Waldorf-Astoria Hotel in New York.

Newly-elected Councillor for the five-year term is Frederick J. Koster, President of the California Barrel Co., Ltd., of San Francisco. Councillor Alfred P. Sloan, Jr., Chairman, General Motors Corp., was reelected. Mr. Sloan has served as one of the Councillors of the Conference Board since 1941.

The nine newly-elected Board Members are: George C. Brainard, President and General Manager, Addressograph-Multigraph Corp.; Philip Cortney, President, Coty, Inc.; George M. Gillies, Jr., President, Adams Express Co.; William Fulton Kurtz, President, the Pennsylvania Co.; Henry Ware Jones, Jr., President and Treasurer, American Tube Bending Co., Inc.; Colonel W. F. Rockwell, President, Rockwell Manufacturing Co.; Grant B. Shipley, Chairman of the Board, Elliott Company; Henry S. Sturgis, Vice-President, the First National Bank of the City of New York; James V. Toner, President, Boston Edison Co.

World Bank Announces Loan Applications From Iran and Netherlands

Iran wants $250 million, while Dutch seek $500 millions. France, Denmark, and Chile have already applied for various amounts, which are under study by Bank.

Mr. Eugene Meyer, President of the International Bank for Reconstruction and Development, announced on Oct. 30 that a preliminary loan application for $250,000,000 has been received from the Government of Iran, and that a letter has been received from the Government of the Netherlands stating that it intends to apply for a loan from the Bank in the amount of $500,000,000.

Eugene Meyer

The preliminary application from Iran states that it has decided to apply for a loan to be available for expenditure during a period of five to seven years in connection with a program of reconstruction and development, to be undertaken for the purpose of raising the general standard of living and improving the health and welfare of the people of Iran. The Iranian Government also states that it will in due course communicate full and complete particulars with respect to individual projects as well as the detailed plan for financing them.

The letter from the Netherlands Government discloses that an application is being prepared which will give the details of the program for which financing will be sought.

It has been previously announced that formal loan applications have been filed by the Governments of France, Denmark and Chile. These applications are now receiving study and are the subject of further discussions with representatives of the applicant countries.

War Death Claim Payments by Life Companies

Holgar J. Johnson, President of Institute of Life Insurance, reports claims thus far for those killed in action numbered 194,000, and amounted to $200,000,000, and accident death claims totaled $80,000,000, while claims for death by disease amounted to $33,000,000, or only 7% of all war claims.

Total U. S. war claim payments on the lives of members of the armed forces are reported by the life insurance companies at $313,000,000, Holgar J. Johnson, President of the Institute of Life Insurance, stated in a report issued Nov. 1. Of the amount paid $23,000,000 was paid in the first nine months of this year, largely representing claims delayed by the long efforts of the government to trace missing persons and prisoners of war.

War claims met by the companies numbered 272,000, of which 120,000 were on ordinary and group life insurance policies and 152,000 were on industrial life insurance policies. The claim payments under ordinary and group policies were $245,000,000 and those under industrial policies were $68,000,000.

"The war claim payments of the life companies, in addition to the benefits received from National Service Life Insurance, were of great aid to the families of those who died in service," Mr. Johnson said. "These war claim payments made up only 6.7% of total life insurance death claim payments from the beginning of the war to the end of 1945. Taking into consideration only battle deaths and accident deaths, as the disease deaths might well have occurred at home, the directly war-caused claim payments represented only 5.0% of total death claims payments."

Battle deaths constituted the greater part of the war claims, accounting for 71% of the total number of war claims, the Institute figures show. Claims for those killed by enemy action numbered 194,000 and the payments on these claims totaled $200,000,000.

Claims for deaths caused by accident numbered 60,000 or 22% of total war claims and payments on these claims totaled $80,000,000. These were largely accidents caused by training or conditions directly related to the war and were at a rate many times the accident rate that would have been normal for these men and women in civilian life.

Only 7% of the war claims were due to death by disease. Disease deaths in this war's armed forces were not only much smaller than in past wars, but were even appreciably below the rate for civilians of the same age groups. The disease death claims numbered only 18,000 or less than 5,000 per year, with armed forces that were sustained at over 10,000,000 a large part of the time. Claim payments for the disease deaths totaled $33,000,000.

NY State Savings Bank Deposits Up 7.5%

A net gain in savings deposits during the first nine months of 1946 of $635 million or 7.5%, as compared to $886 million or 12.4% during the same period last year, was reported for the 131 mutual savings banks of New York State by Robert M. Catharine, President of the Savings Banks Association. A 1945-46 comparison of nine months' totals for new accounts reveals, the Association's advices said that during the first nine months of 1946, accounts increased by 225,959 which was approximately the rate of gain in accounts for the corresponding period in 1945, i.e., 233,869. From the announcement of the Association Oct. 24, we also quote:

While gains in both savings accounts and dollar deposits continued during the third quarter of 1946, the rate of gain was lower than previously reported. The gain in accounts during the third quarter of 1946 was 57,598 and in deposits $157,032,423. September showed a net gain in savings deposits of $35,025,877 and the total number of depositors served increased by 12,315 to another high of 6,898,783. Total deposits are the highest in history, having reached $8,919,134,598. At the same time the ratio of deposits to withdrawals has continued through the third quarter of 1946 to average 1.16, which compares favorably with the first six months' rate of 1.3. Sales of United States Savings Bonds and Stamps during September amounted to $8,411,469.

Burrows Named To RFC Posts

The Reconstruction Finance Corporation announced on Oct. 28 the appointment of Harold W. H. Burrows as Assistant to the Board of Directors. Mr. Burrows is also being designated Controller of the Corporation reporting directly to the Board of Directors. The Directors have established the position of Controller for the purpose of centralizing in that office the responsibility for accounting, budgeting and internal auditing functions and for developing such revisions in operating methods as will contribute to economy and efficiency of operations, said the RFC whose advices also said in part:

"Mr Burrows was engaged in public accounting work for over 10 years with Ernst & Ernst. Subsequently, at the request of the Governor of the State of Michigan, he participated in the reorganization of the State's accounting system and became Controller of the State in 1939. In June 1942, Mr. Burrows entered the United States Army as a commissioned officer with the immediate responsibility of developing for the Army an adequate fiscal accounting system. In this capacity, he dealt with activities not only in this country but also in overseas theatres, including the accounting distribution of all War Department expenditures. He was released from active service in the early part of 1946. Mr. Burrows was connected in a consulting capacity with the United Nations Relief and Rehabilitation Administration until taking up his new duties with RFC. He recently returned from Shanghai where he was Controller of UNRRA's China Office.

"The action of the RFC in establishing the position of Controller is consistent with a recommendation contained in the Interim Report of the Corporation Audits Division of the General Accounting Office, submitted to the President and the Congress last June. This recommendation was subsequently concurred in by the House Committee on Expenditures in the Executive Departments."

Named Vice-President Of Industrial Bankers

John W. Seaberg, President of the Union Loan & Thrift Corporation, Minneapolis, Minn., has been elected Vice-President of the American Industrial Bankers Association to fill the unexpired term of R. G. Kirschmann, Secretary-Treasurer of the Johnstown Finance & Loan Co., Johnstown, Pa., who resigned because of ill health. Mr. Seaberg's election took place in a meeting of the executive Committee of the association in Fort Wayne, Ind., prior to the semi-annual meeting of the Board of Directors of the AIBA at the Edgewater Beach Hotel in Chicago on Nov. 7, 8 and 9. He will serve until the annual meeting of the Association in Denver next June. His election automatically makes him a member of the Executive Committee, which is comprised of officers of the association.

In addition to elevating Mr. Seaberg, who was a member of the Board of Directors of the AIBA for the State of Minnesota, the Executive Committee disposed of routine business matters and prepared the agenda for the Chicago board meeting. Principal matters of business to come before the Board will be the plans for the Denver meeting and the 13th annual Institute of Industrial Banking, held each year in conjunction with the convention.

The State of Trade

A fractional increase was noted in industrial production last week as new postwar peak levels of output were attained in some industries. Similar factors present in past weeks such as limited supplies of raw materials and component parts worked to restrict further increases in the production of some manufactured goods during the week. Total continued claims for unemployment insurance declined 0.6% in the week ended Oct. 19, while initial claims dropped nearly 15%.

Steel ingot output declined to 89.4% for the week from 90.3% of capacity in the previous week. Scheduled ingot production for this week, however, is placed at 91.1% of capacity. Electric power production also touched a new postwar high advancing 1.4% last week. Daily average crude oil output was almost unchanged, in the past week, declining to 4,729,800 barrels from 4,732,600 barrels, while freight carloadings, on the other hand rose the past week by 1.1% to attain a new 16-year high record.

In the durable goods field the supply continued to show improvement with shipments of wheel goods such as baby carriages, velocipedes and scooters reflecting a notable increase. As a result of adequate stocks of small electrical appliances, household kitchenware and glassware controls were removed from these items by OPA.

Automobile production, of major importance in the durable goods line, and to our economy as well, dropped 2.2% from the previous week's level to an estimated 88.282 units. In commenting upon automotive output it is worthy of mention that truck production in the first three quarters of 1946 has been exceeded only during the corresponding period in 1929 and 1937.

The First National Bank of Boston in discussing general business conditions in its "New England Letter" for the month of October makes note of some of the outstanding characteristics of war and postwar periods, and specifically the comparison with the period following the end of the first World War. In summarizing its findings it had the following to say:

"Because the same fundamental forces — deficit financing, great money supply, scarcities, and huge pent-up demand — predominated in both postwar periods, it is to be expected that there would be strong similarities in features of the business patterns. On the other hand, it should be noted that there are also important dissimilarities. There is now much less credit strain. The individual farmer is currently in a stronger financial position. Corporate and individual savings are considerably larger. While farm commodity prices are at about the same level as after the first World War, non-agricultural prices are considerably lower.

"After the first World War there was an official disposition to allow nature to take its course. This made for a sharp and clean-cut correction. But the policy now is for the Government to step quickly into the breach and cushion the shock, and it has many commitments to provide support, particularly in the case of agriculture. This may prolong the readjustment period and delay recovery."

The article concludes by stating that these are significant points of similarity as well as of difference between the two postwar periods and adds that "these should be taken into consideration in attempting to appraise the future business outlook. The trend of events in the earlier period should serve as a general guide to what may lie ahead, but allowances should be made for dissimilarities in regard to timing as well as in the scope of possible readjustments in the various segments of our economy."

Total retail volume last week rose slightly above the high level of the preceding week and was well above that of the corresponding week a year ago. Prices of many commodities rose during the week with stocks generally increasing and shoppers becoming more selective in their demands.

There was a slight decline in wholesale volume in the week but it remained considerably above that of the corresponding week a year ago. Price fluctuations following the removal of price ceilings on many commodities resulted in a cautious attitude on the part of many buyers. Deliveries generally were slightly improved the past week.

Steel Industry—The temporary but politically slanted postponement of the coal crisis by no means removes the threat of a possible tie-up at the mines later this year with steel consumers, highly vulnerable to any slight change in the steel market and extremely sensitive where the question of future supplies is concerned, it can be expected that many steel users will resume their pressure tactics to speed up deliveries, "The Iron Age," national metalworking paper states.

In recent weeks there had been a definite trend toward a more orderly steel market from the standpoint of the placement of orders and the production of steel.

Because of the low supply of coal stocks and the precarious position of scrap supplies, a coal mine tie-up later this year would have an almost immediate effect on the output of steel in some major plants, the magazine notes, adding that such a development would force down a number of blast furnaces some of which might be kept out of blast until the outcome of the steel negotiations in January had crystallized.

The absolute certainty that the steel union will demand a healthy increase because of the lower take-home pay compared with wartime levels and because of the sudden and sharp increase in living costs will in all probability cause consumers to use every effort to increase their inventories before actual conditions have forced a showdown between the steel companies and the union. Any effort, however, by large steel consumers to revert to their high pressure methods to expedite shipments and expand their orders will not meet with much success in steel company sales offices, "The Iron Age" states.

It was apparent last week that if the unbalanced inventory problem isn't corrected soon, customers who have been surmounting one obstacle after another in order to maintain manufacturing schedules will have to consider seriously canceling some deliveries and reducing their production rate to conform with the availability of all steel components, the above authority observes.

The steel price situation was no closer to a settlement last week than it was some weeks ago. Negotiations are still going forward with OPA and the possibility that Congress may throw out price controls before the present controversy between the steel industry and the OPA is settled is by no means remote.

The American Iron and Steel Institute announced on Monday of this week the operating rate of

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As We See It

(Continued from first page)

not be long in reaching the conclusion that, first and foremost, we must rid ourselves of the circumstances which make it possible for a small coterie of men in Washington to do what is tantamount to making the law of the land at their own uncontrolled discretion. As bad as much of the specific legislation now on the books unquestionably is, the statutes which enable the President to turn controls off and on at will; virtually to "nationalize" the coal mines of the nation; to "allocate," restrict or otherwise control the flow of materials into industry, and to do a thousand and one other acts at discretion—these statutes are infinitely worse.

Government by Law

We must without further delay get back to a system of government by law and not by men—or more precisely by one man. The first step, of course, is to put an end to the powers which owe their origin to the war or to "emergencies" of one sort or another proclaimed by the President with Congressional sanction. Some of these powers would have expired under the terms of the original acts had not Congress renewed or extended them. Most of these extensions will in turn expire within the next six to nine months. Relief from the hardship of not being able to find adequate food from day to day may lead some of us to forget that all our difficulties can be brought back upon us over night by a simple decision of the President, under powers extended last summer until the middle of next year. If there is no way of getting rid of it sooner, then one of the first and most important of the tasks before us is to make certain that this law dies for all time on June 30 next.

Again, the Civilian Production Administration was due to cease being at the end of this year, but Congress prolonged its life last summer and now it will go on—if nothing is done about it—until the middle of next year. Its intermeddling with American business is a definitely retarding influence upon our progress in getting back to a normal peace footing. Of course action by Congress could bring an end to this sort of nonsense forthwith, and Congress ought not to delay taking the necessary step as soon as it is once again in session. Certainly there must be no thought of prolonging further either the activities of this agency or the powers under which either it, or the President, may do what it has been doing. So long as such power as this exists danger of its use exists.

Down With OWMR!

The Office of War Mobilization and Reconversion has vast powers to make life miserable and difficult for the businessman. Under the law as it now stands this power lapses at the middle of next year. It should have lapsed long ago. Congress, once it is in Washington, should see to it that it goes by the board at once. It should be understood all round that its powers will not be exercised meanwhile. These are but examples of a situation which is so extensive and so pervasive that it permeates the entire economy, indeed a good more than the economy since the lives of us all are directly or indirectly touched and affected by it all. Indeed it is difficult for even the lawyer to determine the limits of the powers of the President under a number of these wartime statutes, whose termination, if left for nature to take its course, may not come for years. In the absence of Congressional or Presidential action, or proclamation to the effect that the war has come to an end, heaven knows when the courts would support a contention that these powers had lapsed. One of the very first tasks which confronts us is that of getting back to a normal peace as respects matters such as these.

Other Powers, Too

But we obviously can not stop there. From March 4, 1933, to the outbreak of World War II, President Roosevelt accumulated more authority than any other President had ever dreamed of having in peacetime. Indeed, he pushed forward into ground which his predecessors, more respectful of American tradition, had not trod even in war time. Here, too, action is urgently needed. We should be sadly deluding ourselves if we supposed that we could get back to a normal way of life in business until these extraordinary powers are taken from the hands of the Chief Executive, or any other official or branch of the government—and that regardless of the degree in which they are being employed. The very existence of the powers is hazardous and destructive. Of course, this means extensive revision of many existing statutes, But it needs to be done regardless of the cost. We simply must get back to a system of government by law.

Most of these New Deal statutes, if not all of them, are in any event in sore need of drastic revision, regardless of whether they should be permitted to remain on the statute books at all. Granted that some of the laws have now been in effect long enough to have become intertwined with much of the business life of the nation. Expungement of the New Deal boots and baggage—as it really ought to be—is accordingly a real task, and one which needs be done with circumspection, albeit with thoroughness. One of the discouraging features of the current situation is the fact that so little constructive thought has been given to a program of action, once the political situation was such that those who understand the real nature of the New Deal could begin to function with dispatch and vigor.

We, Too, Need Readjustment

But over and beyond any and all things political, the great rank and file of the people of this nation, particularly the masses in our industrial centers, must come to their senses if they are to save themselves and the nation from much unnecessary suffering and hardship. Long years of depression, of frustration, of paternalism, of listening to the "isms" which have done so much to make it difficult for many European peoples to keep going, and other factors of a related nature have brought all too many American citizens—with deep regret be it said—to a point where they have begun to suppose that somehow the world owes them a living, and to depend upon government to save them from themselves. Others under the prodding of malcontents are so afraid that they will give a whit more of their services than they are paid for that the essential need of full and efficient production is lost to sight. Discipline, self-imposed or other, seems to have all but disappeared from the American scene.

We need to turn over a new leaf.

Byrnes Reaffirms US Stand on Argentina

Secretary of State Byrnes on Oct. 22 told a news conference that he knew of no intention on the part of Spruille Braden to resign as Assistant Secretary in charge of Latin American affairs. Mr. Byrnes' statement was made in reply to questions regarding a rumor that Mr. Braden might resign if the United States reversed its policy toward Argentina that the South American country must rid herself of any Nazi agents harbored there.

Mr. Byrnes declared, according to Associated Press Washington advices, that his statement of last April 8 still holds. In that document the Secretary of State said this country and other American republics would consider holding a conference to write a hemisphere military defense treaty with Argentina only after that country had expelled Nazi agents. The Associated Press added:

"Mr. Byrnes said he sees no possibility of holding the defense treaty conference at Rio de Janeiro this fall because of the meetings of the United Nations Assembly and the Big Four foreign ministers in New York.

Steel Production Highest Since June, 1945—More Producers Opening First Quarter Books

Despite a production pattern far more intricate and varied than in wartime, the steel industry this week regardless of scrap and certain labor shortages was turning out steel at an unprecedented peacetime level which on an annual basis would produce more than 84,000,000 tons of ingots—21,000,000 tons above the previous peacetime peak of 1929, according to "The Iron Age," national metal-working paper, which in its issue of today (Nov. 7) further states as follows:

"Unless hampered by a coal mine shutdown later this year, it is expected that the industry will maintain this unusual output over the next several months. Some sources fear, however, that John L. Lewis in his attempt to successfully gain increased wages from the government may adopt the same plan of attack as he did last April.

"A curtailment of steel production at this time, after the industry has indicated what it can do if it is allowed to go forward unhampered, would create a national crisis. This would be the same sort of a crisis which the United Mine Workers used earlier this year as a bargaining factor. All of these probabilities are in the minds of both steel producers and steel users and for this reason it can be expected that every effort possible will be made to squeeze out a maximum of steel production as long as possible.

"Another factor expected to spur steel production and cause steel consumers to attempt to lay in as much steel as possible is the possibility of a steel strike early next year. While it is too soon to call such a strike a 'probability' today, factors are building up which by next February may present a far more serious threat to continued high steel output than the spectre of a coal mine shutdown does today.

"Speculation in the trade as to whether or not the OPA will soon decontrol carbon steel products after last week's action in decontrolling alloy steel which constitutes about 9% of total steel output, continues rife. However, such action would only produce sooner a balanced price structure which the steel industry through its advisory committee is trying to obtain from OPA.

"No steel producer or steel user expects wholesale price advances when carbon steels are decontrolled, but rather look for upward revision of those items, the production of which has been held down due to the low return to producers. So far there is not the slightest indication that alloy steels, having been decontrolled, will be advanced. On the contrary alloy steel producers are watching each other like a hawk to determine if the current price structure will remain strong.

"With iron ore decontrolled effective Jan. 1 and with alloy steel having been removed from control, the continuance of regulations on other steels appears to be untenable. For this reason a segment of the steel industry looks for a sudden change in position on the part of those OPA officials who have insisted on keeping steel price ceilings as long as possible.

"Steel shipments in October were the greatest in any month since V-J Day. Aside from certain wartime peaks, new records have been made at many steel company plants. The only sore spot in the current picture is the unavoidable loss of plate production at some of the smaller eastern mills which have been squeezed between the dual shortage of pig iron and scrap.

"While the steel industry in recent weeks has been busy upsetting its own estimates of steel production, it continues to keep a weathered eye on the scrap supply situation which is by no means encouraging. Any serious bottleneck in the availability of scrap or the transportation of this material due to severe weather conditions later this year would be bound to promptly show up in the industry's operating rate."

The American Iron and Steel Institute this week announced telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 91.1% of capacity for the week beginning Nov. 4 (the highest level since June, 1945), compared with 89.4% one week ago, 90.4% one month ago and 77.0% one year ago. This represents an increase of 1.7 points or 1.9% from the preceding week. The operating rate for the week beginning Nov. 4 is equivalent to 1,605,500 tons of steel ingots and castings, compared to 1,575,600 tons one week ago, 1,593,200 tons one months ago, and 1,410,400 tons one year ago.

"Steel" of Cleveland, in its summary of the latest news developments in the metalworking industry, on Nov. 4 stated in part as follows:

"Limitation on construction other than housing, high construction costs and a less favorable outlook for busines in general has cut sharply into the structural steel market.

"Some mills are already caught up with their shipping promises and are rapidly eating into their backlogs, which have declined substantially. Others report they will be caught up and ready to book new business in the first quarter.

"Other steel products remain tight, particularly sheets and strip, although one mill is now establishing quotas for first quarter business and others are expected to follow.

"The price situation is clarified somewhat this week with the removal of ceilings over alloy steels of various types and on wire rope, as well as iron ore for 1947 shipment. These commodities are already fairly well balanced with demand, and there is little likelihood of price increases on any of them.

"Shortages in scrap and pig iron continue to hamper steel production at some points. New iron will shortly reach the market from government-subsidized furnaces, carrying \$8 to \$12 premiums over current ceiling prices, but this iron is supposedly headed for the housing program exclusively and a large share will go to foundries rather than to the steel mills."

White House Visitors

Two callers at the White House on Oct. 28 were Canada's Prime Minister Mackenzie King and the United States Ambassador to Russia, Lieut. Gen. Walter Bedell Smith. The Canadian Prime Minister's visit with President Truman was described by White House press secretary Charles C. Ross as a "social call," with no particular topics listed for discussion, and that it was "without any political significance." However the Associated Press dispatch from Washington mentioned that Ottawa dispatches had said that plans for joint defense of the Arctic might be discussed.

General Smith, who has been in this country on a 10-day visit, told reporters that his primary mission had to do with the organization of his Moscow staff, and declined, according to Washington advices to the New York "Times," to comment on the "generalities" which he said he had discussed with the President.

September Loadings of Motor Carriers Drop 11.1% Under August Because of Strikes

Due primarily to strikes, particularly in the northeastern area, the volume of freight transported by motor carriers in September declined 11.1% below August, according to statistics compiled by American Trucking Associations, Inc. Despite the strikes, however, the September volume held at a level that was 11.2% higher than the volume transported in September of last year. The Association's statement further adds:

The ATA truckloading index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, dropped to 170 in September as compared with the high index of 204 attained in August.

The average index for the first nine months of 1946 was 180.4, slightly above the average index for the first nine months of 1945 (179.4) and 1944 (179.0), but 6½ points below the average index of 186.9 recorded for the first nine months of 1943.

The September figures are based upon comparable reports received by ATA from 207 carriers in 37 states. These carriers transported an aggregate of 1,848,420 tons in September, as against 2,080,089 tons in August and 1,662,185 tons in September of 1945.

Approximately 89% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 11.8% below August but increased 11.4% over September, 1945.

Transportation of petroleum products, accounting for about 5% of the total tonnage reported, showed a decrease of 3.7% below August, but increased 0.9% over September, 1945.

Carriers of iron and steel hauled about 3% of the total tonnage. Their traffic volume decreased 7.6% below August but increased 65.2% over September, 1945.

About 3% of the total tonnage reported consisted of miscellaneous commodities, including textiles, groceries, chemicals, packing house products, automotive parts, motor vehicles, tobacco, school supplies, paper and rubber products. Tonnage in this class dcreased 4.1% below August and 1.9% below September, 1945.

The September tonnage of carriers reporting from the Eastern District represented a decrease of 14.1% below August but increased 11.8% over September, 1945.

Carriers in the Southern Region reported a decrease of 10.7% below August but increased 2.3% over September, 1945.

Tonnage reported from the Western District revealed a decrease of 4.8% below August but increased 12.9% over September of last year.

Profits of National Banks in First Half of 1946 Reported by Comptroller of Currency

According to Comptroller of the Currency, Preston Delano, the National banks in the United States and possessions reported net operating earnings of $317,474,000 for the six months ended June 30, 1946, an increase of $50,650,000 over the first half of 1945. In his advices, made available Oct. 5 the Comptroller stated that adding to the net operating earnings profit on securities sold of $72,967,000 and recoveries on loans and investments, etc., previously charged off of $55,703,000, and deducting therefrom losses and charge-offs of $63,548,000 and taxes on net income of $102,003,000, the net profits before dividends for the six months ended June 30, 1946 amounted to $280,593,000, which at an annual rate amounts to 11.51% of capital funds. This figure of net profits before dividends was $31,325,000 more than the amount reported for the six months ended June 30, 1945. The Comptroller's advices also stated:

"The principal items of operating earnings in the first half of 1946 were $361,602,000 from interest on U. S. Government obligations and $51,251,000 interest and dividends on other securities, a total of $412,853,000, which was an increase of $53,814,000 over the corresponding period in 1945; $226,210,000 from interest and discount on loans, an increase of $44,868,000, and $33,010,000 from service charges on deposit accounts an increase of $2,287,000. The principal operating expenses were $208,455,000 for salaries and wages of officers and employees and fees paid to directors, an increase of $34,400,000 over the first half of 1945, and $69,991,000 expended in the form of interest on time and savings deposits, an increase of $10,934,000. Gross earnings of $764,215,000 were reported for the six month period of 1946. This represents an increase of $111,766,000 over the gross earnings for the first six months in 1945. Operating expenses, excluding taxes on net income, were $446,741,000 as against $385,625,000 for the first half of 1945.

"Cash dividends declared on common and preferred stock totaled $78,108,000 in comparison with $73,371,000 in the first half of 1945. The annual rate of cash dividends was 3.21% of capital funds. The cash dividends to stockholders in the first half of 1946 were 27.84% of the net profits available. The remaining 72.16% of net profits, or $130,485,000, was retained by the banks in their capital accounts.

"On June 30, 1946, there were 5,018 national banks in operation, as compared to 5,021 on June 30, 1945."

Caribbean Commission

The four nations having territories in the Caribbean area have signed an agreement for the setting up of a so-called Caribbean Commission, which is to be formally established, with its auxiliary bodies—the Caribbean Research Council and the West Indian Conference—as an international advisory body to the four signatory Governments in the interests of greater cooperation. The United States was one of the signatories, the others being Great Britain, France and the Netherlands.

The agreement, according to a special dispatch from Washington to the New York "Times" on Oct. 30, provides for a permanent Secretariat, for which a building has been acquired in Port-of-Spain, Trinidad. It is reported that Lawrence W. Cramer of the United States is Secretary General.

The Commission succeeds the Anglo-American Caribbean Commission, the "Times" said. It continued:

Its objectives are held to be in accord with the principles of the United Nations Charter. Its aim is the improvement of economic and social well-being in the area, the promotion of scientific, technological and economic development, the facilitation of the use of resources and in general the concerted treatment of mutual problems.

Supreme Court Upholds Georgia Unit Rule

The United States Supreme Court on Oct. 28 dismissed two protests against Georgia's county unit election system, according to Washington Associated Press advices. By a six to three refusal to hear an attack upon the State's plan the Court left standing the decisions of a special three-judge United States district court in Atlanta which had ruled that there was no violation of equal rights guarantees in the Georgia system. Under the county unit system Eugene Talmadge was able to win nomination as Governor although he was behind James V. Carmichael in the popular vote. The same system also permitted the defeat of Representative Helen Douglas Mankin in the Fifth Congressional District, who, although she headed the popular ballot, lost in the unit vote to James C. Davis. One of the rejected lawsuits attempted to upset Mr. Talmadge's primary nomination; the other sought to have Mrs. Mankin declared the primary choice for Atlanta Representative.

Under the Georgia plan, the Associated Press pointed out, from two to six unit votes are assigned to a county and they go to candidates receiving the most votes in the county. The lower court observed that the plan operates like the Electoral College system in electing a President—some without a popular vote majority. The three Justices who favored the review were Hugo L. Black, Frank Murphy and Wiley Rutledge.

In another electoral situation the tribunal also decided to keep hands off a State's system. It refused to reconsider its four to three decision of last June, the Associated Press reported, which had rejected a proposal to remap Illinois' congressional districts.

ABA Commissions To Meet in Nov.

The two commissions of the American Bankers Association devoted exclusively to promotion of the welfare of country banks will hold their annual executive business sessions during November. The Agricultural Commission will meet at Louisville, Ky., on Thursday and Friday, Nov. 14 and 15, and the Country Bank Operations Commission will hold its meeting at Mobile, Ala., on Monday and Tuesday, Nov. 18 and 19. Meeting with the Agricultural Commission at Louisville will be the Subcommittee on Agricultural Credit of the Committee on Federal Legislation. John N. Thomson, Vice-President and Cashier of the Bank of Centerville, Centerville, S. D., is Chairman of this subcommittee. Both commission meetings will be addressed by C. W. Bailey, the new ABA President, who was formerly Chairman of the Agricultural Commission. Mr. Bailey is President of the First National Bank, Clarksville, Tenn.

Change Name to Consumers Bankers' Ass'n

The Morris Plan Bankers' Association changed its name to Consumer Bankers' Association and wound up its convention on Oct. 23, at Virginia Beach, Va., by reelecting Joseph E. Birnie, President of the Bank of Georgia in Atlanta, to head the Association another year. United Press advices reporting this stated that other officers elected were First Vice-President John B. Jessop, President, Equitable Trust Co., Wilmington, Del., and Second Vice-President Clyde C. Shively, President, State Industrial Bank, Columbus, O.

September Retail Prices Highest in Quarter Century, Says Conference Board

September, 1946, marks the highest point reached in more than 25 years (since November, 1920) in the consumer price index, the National Industrial Conference Board reports. The Conference Board's quarterly "Consumers' Price Index" or "Index of Quoted Retail Prices for Consumers' Goods and Services Purchased by Moderate-Income Families" (formerly called "Cost of Living Index") climbed 5.9% over the June figure, and is 7.9% over September last year. The Board's advices add:

Each of the 65 U. S. cities included in the surveys shows an increase. These increases range from 3.5% in Dallas, Texas to a high of 8.9% in Minneapolis, Minn.

The Conference Board Index, using 1923 as 100, stood at 114.6 for September. The June, 1946 figure was 108.2. Not since November, 1920, with the index at 115.7, have quoted retail prices approximated this level. The Conference Board's figures are based on retail price quotations for June 15 and Sept. 15 (for food data: on June 13 and Sept. 16), and show only the situation as it prevailed on those days.

Food prices showed the sharpest advances during the third quarter of this year. The rise in the food index alone (13.0%) was sizeably greater than the increases in the other components combined. Quoted retail prices for September, 1946 were 13.3% above those of September last year. Prices of fresh fruits and vegetables, however, showed declines over the quarter thus lessening effects of increases in coffee, eggs, butter and other items.

Increases granted on coal after the last coal strike settlement were reflected in the 3.3% rise in the fuel and light component. Sundries increased only 2.0% during the quarter.

Pineo Named Director By International Bank

Eugene Meyer, President of the International Bank for Reconstruction and Development, announced at a press conference on Oct. 31 that Charles Chipman Pineo, of Canada, has been appointed Director of the Loan Department of the Bank, thus completing the appointment of the principal officers of the staff. Mr. Pineo was born in Nova Scotia on Dec. 22, 1883. He served as Assistant General Manager of the Royal Bank of Canada in Montreal from 1931 to 1945. The announcement further said:

"Mr. Pineo began his banking career in 1902 upon entering the service of the Union Bank of Halifax. When this bank was amalgamated with the Royal Bank of Canada in 1910, he was assigned to Puerto Rico and later to Cuba. He became Manager of the National City Bank of New York at Sao Paulo, Brazil in 1915, where he remained until he rejoined the Royal Bank of Canada four years later, and organized branch offices in Brazil, Argentina and Uruguay. In 1920, he was appointed Supervisor of the South American business of the Royal Bank with headquarters in New York.

"Later, at the Head Office of the Royal Bank of Canada in Montreal, as Assistant General Manager, Mr. Pineo had charge of all the bank's foreign branches in Europe as well as in Latin America."

Brown in Navy Air Post

Announcement was made on Oct. 28 of the appointment by President Truman of John Nicholas Brown as Assistant Secretary of the Navy for Air. Born in New York City 46 years ago, Mr. Brown, a graduate of Harvard University who served in the Navy in the first World War, has lived most of his life in Newport, R. I., according to an Associated Press Washington dispatch.

Subscriptions to Treasury Certificates

Secretary of the Treasury Snyder announced on Oct. 31 the final subscription and allotment figures with respect to the ⅞% Treasury Certificates of Indebtedness of Series K-1947 offered on Oct. 21 in exchange for Certificates of Indebtedness of Series J-1946, maturing Nov. 1, 1946, in the amount of $3,777,773,000. Secretary Snyder indicated that reports received from the Federal Reserve Banks showed that subscriptions aggregated $3,432,410,000. Subscriptions in amounts up to and including $25,000 were allotted in full, and amounted to $40,563,000. Subscriptions in amounts over $25,000 were allotted 51% on a straight percentage basis, but not less than $25,000 to any one subscriber, with adjustments, where necessary, to the next highest $1,000.

In announcing the offering on Oct. 21, Secretary Snyder said in part:

"Since it is planned to retire about $2,000,000,000 of the maturing certificates on cash redemption, subscriptions will be received subject to allotment to all holders on an equal percentage basis, except that subscriptions in amounts up to $25,000 will be allotted in full. Cash subscriptions will not be received.

"The certificates now offered will be dated Nov. 1, 1946, and will bear interest from that date at the rate of seven-eighths of one percent per annum, payable with the principal at maturity on Nov. 1, 1947. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

The subscription books were closed at the close of business on Oct. 23, except for the receipt of subscriptions from holders of $25,000 or less of the maturing certificates. The subscription books for the receipt of subscriptions of the latter class closed at the close of business, Oct. 24.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	Total Subscriptions Received	Total Subscriptions Allotted
Boston	$81,244,000	$42,208,000
New York	2,026,663,000	1,036,450,000
Philadelphia	82,249,000	42,569,000
Cleveland	90,592,000	47,344,000
Richmond	75,380,000	39,246,000
Atlanta	80,539,000	42,319,000
Chicago	324,216,000	169,758,000
St. Louis	64,602,000	35,039,000
Minneapolis	66,531,000	38,008,000
Kansas City	123,102,000	63,855,000
Dallas	72,105,000	37,715,000
San Francisco	333,899,000	171,263,000
Treasury	11,288,000	5,778,000
Total	$3,432,410,000	$1,774,552,000

The results of other recent Treasury Certificate offerings were referred to in our issue of Oct. 24, page 2141.

Maui Returned to Hawaii

In an executive order issued on Oct. 28, President Truman ordered that areas of the Island of Maui, described as "certain lands of Maui, situated at Mala landing, Lahaina, Maui, Hawaii," taken over by the Navy in April, 1934 be restored to use by the territory of Hawaii. These areas, said Associated Press Washington advices Oct. 28, had been set aside for use by the Navy as a section base and radio station, and the President indicated that the Navy no longer had need of them.

Let's Cut Our Military Costs With Trade, Travel and the Facts

(Continued from first page)

fire, automobile and accident insurance premiums, we would be giving a great deal of thought and putting a great deal of heat on our government to adopt measures which would reduce fire, automobile and accident hazards and thereby make possible a substantial reduction in the cost of that insurance. This, precisely, is what we must do to reduce the cost of our war insurance. For only as the risk or hazard of international warfare is reduced will it be possible to cut the terrific premium on our war insurance policy to more reasonable levels.

It is to the subject of how we can begin to reduce the risk of war that I wish to address myself briefly tonight. Obviously, one can do no more on an occasion such as this than to pose the problem and outline the main areas in which the solution appears to lie.

A Long-Term Plan Needed

Reducing the risk of war is obviously no short-term undertaking. It calls for a general plan, a clear understanding of the objectives and the reasons for them, and then it calls for hard, patient continuous effort in which results will be perceptible not from week to week or from month to month but rather from year to year—or even, perhaps, from decade to decade.

Briefly stated, the three major tools or instruments for reducing the hazards of war are: Trade, Travel and The Facts. Let me enlarge a little on each of these items.

Trade

The arguments for expanding world trade both in the interest of high employment and better living standards here at home and in foreign countries are well known to you, and I will not burden you with a repetition of them here. Let me say in passing, however, as I have said repeatedly before, that I am profoundly convinced that a far larger volume of foreign trade—and this means imports as well as exports—would be good for America. And I mean positively, affirmatively—selfishly, if you will—good. And I mean, particularly and especially, good for America as a whole, not simply for those who would profit directly from increased exports or imports.

Today national trading areas are separated from each other by a complex and staggering number of obstacles and barriers to the natural, easy flow of goods and services. They include tariffs, monetary restrictions, exchange controls, import and export licenses and quotas and endless formalities and red tape encumbering or prohibiting the movement of materials and products across national boundaries. Many, if not most, of them have come into being during the past twenty-five years. And they stand today as a veritable fortification against exchange by the countries of the world of the materials and products each is best qualified by reason of their natural resources and the aptitudes of their people to offer in the markets of the world.

As you know, our government, under the leadership of the Department of State, has taken a strong position on this matter, and its recently published "Suggested Charter for an International Trade Organization of the United Nations" is aimed at freeing the world of many of these impedimenta to international trade. This effort deserves the enthusiastic support of every American.

It is an old story that business men give lip service to the principle of tariff reduction but battle to the death any attempt to reduce tariffs on products competitive with their own. I am told that our government is now reviewing American tariff schedules in preparation for the negotiation of mutual tariff reductions with a large number of countries with whom we trade. It is devoutly to be hoped that American business will take the long view and a statesman-like attitude in presenting its case and recommendations on proposed tariff reductions.

In this connection you may be interested to know that during the past six months a committee made up of representatives of all Operating Departments of General Electric Company has been studying this matter of imports and tariff schedules on electrical products. On the recommendation of that committee and with the approval of the officers in charge of each of the Operating Departments a brief policy statement for the guidance of the entire company was adopted very recently. It reads as follows:

"The General Electric Company is interested in import tariffs as one influence on the free flow of world trade. We think that a larger exchange of goods and a better balance of trade among the countries of the world will contribute to a greater economic stability and be of benefit to all countries. A larger exchange of goods between the United States and other countries is essential for the maximum development of our total industry and for an increase in the over-all standard of living. A larger importation of goods into the United States from other countries is essential to bring imports more nearly into balance with our exports. This will enable us to be paid for the goods we sell and to be repaid for loans which have been made for rehabilitation of foreign countries.

"Our country and each industry in it must take the lead in the reduction of trade barriers by proposing mutual reduction of tariffs and other barriers on specific goods to the extent that this can be done without unduly upsetting a domestic industry which is efficiently operated and whose existence in this country is essential to the preservation of our economy or national security."

From this you will see that General Electric, although 90 to 95% of its business has always been in the domestic market, believes in and will support the government's efforts to broaden our trading area by reducing the barriers to the two-way flow of goods.

To summarize what I have said on the subject of trade—It is my belief that a healthy, prosperous, expanding volume of trade between the nations of the world is a strong antidote to war. And an increasing degree of economic interdependence between nations will correspondingly reduce the risk of war.

Travel

If there is any more potent instrument for building international understanding and reducing the risk of war than travel, I have failed to discover it. And on this subject I can give direct testimony based on my experience in London during the 2½ war years I spent there. It was one of the duties of the mission I had the honor to head to receive and assist many hundreds of Americans who came to England singly and in groups, from government and from private industry and agriculture, to transact official business pertaining to the war. These Americans came from every part of the country and from almost every walk of life, and a considerably majority of them had never been abroad before. Most of them came with chips on their shoulders, either because they were just naturally anti-British or because the particular matters that brought them to Britain involved some difficulty or dispute in which they felt the British were being grasping and unreasonable.

It was my practice to talk with each of these visiting missions on arrival and again when they were preparing to depart. I wish I could describe to you adequately what a tremendous difference there was in the attitude of these people when they left. The very fact that they had spent a few days or weeks in Britain, actually experienced wartime living conditions there, met face to face and talked out their problems with their British counterparts, made an enormous difference in their attitude. I do not mean to suggest that they all became anglophiles. But, having seen with their own eyes and heard with their own ears and having, through personal contact, learned that the British are average human beings like themselves, they returned to America with a sense of understanding and respect for the British and with their resistance stiffened to the untruths and half truths that were constantly being circulated about them.

The extraordinary way in which human contact dissolves differences and false impressions is no better epitomized than by the remark of the British clergyman who was once heard to say, "The only Americans I can abide are the ones I have met." And despite the gripes and grouses of the millions of American GIs, who saw service in foreign theatres of war, the net effect in terms of broadening and internationalizing the American viewpoint is literally immeasurable.

I have not analyzed the House or Senate vote on the United Nations Charter, the extension of the Reciprocal Trade Treaty Bill, the British Loan or other important legislation which has been acted upon by Congress since VE-Day, but I am told that of our Congressmen and Senators who before the war were known to have isolationist leanings those who saw foreign service during the war or who visited foreign theatres of war voted heavily in favor of these measures while most of those who did not travel abroad persisted in their former views or modified them only in response to pressures from home.

Examples of the broadening effect of foreign travel could be given almost without limit. I am satisfied that this country could not and would not go to war with any other country whose people had become well known to the American people by direct personal contact. Travel to each other's country, a free exchange of the facts concerning each other's way of life, their likes and dislikes, their culture and conditions, are potent factors in reducing the risk of war.

Foreign Travel Must Be Facilitated

I believe that if foreign travel is encouraged and facilitated many millions of Americans will go abroad on business or pleasure during the next decade. It is of utmost importance, in my judgment, that our government and foreign governments collaborate in encouraging foreign travel by simplifying and, where possible, eliminating passport and visa requirements, customs duty procedures, and currency and exchange restrictions which today add so greatly to the inconvenience and expense of foreign travel.

It is also of great importance, especially in countries which suffered war damage, that adequate preparation be made to receive and comfortably accommodate foreign travelers. Here, from the purely economic standpoint, lies a most valuable source of dollar income. And foreign governments can well afford to give high priority to the provision of adequate transportation, hotel and resort facilities in order to attract their full share of foreign visitors.

The Facts

This brings me, gentlemen, to the third item in our triumvirate for reducing the cost of insurance against another war. Intelligence, information, communications—call it what you will—the essential objective is to provide means of currently and continuously exchanging the facts with other countries of the world. Trade and travel are themselves important means of exchanging intelligence or information with our neighbors abroad. What I am concerned with under this heading, however, are the other well known media for communicating information about our country to every corner of the earth to the end that a true picture of America, her way of life, the interests and activities of her people, her current events, her accomplishments and her failures, shall be faithfully depicted and understood everywhere.

It is important that this running story be well and fully told. The very fact that we are today the greatest economic power on earth and thereby have, whether we like it or not, a responsibility for leadership, requires that our aims, our policies and our objectives be made known to other nations. Anyone in a position of great power will be feared, suspected and perhaps ganged-up on if he fails to demonstrate his good intentions or to win the confidence and respect of the community.

The urgency and importance of getting this job organized and under way is emphasized by the fact that other powerful governments, notably Russia and her satellite countries, are continuously putting out false and misleading statements about us, our activities and our objectives. These statements are designed to arouse fear and resentment toward us and to attract other countries into the Russian orbit.

The American Story Must Be Told

The job of telling adequately and truthfully the story of America to the rest of the world is not a simple one. It is a mixed task in which both government and private agencies must play important roles. But we may start, I submit, with the fundamental necessity of having competent, first-rate Americans to represent us in the embassies, legations and consulates around the world. In years gone by our official foreign representation has all too often lacked both quality and quantity. The compensation has been inadequate both at the top and in the rank and file. Just as an example, it is my understanding that Great Britain pays her Ambassador to Washington approximately four times what we pay our Ambassador to the Court of St. James. Indeed, the cost of discharging the duties of an American Ambassador in many capitals of the world so greatly exceeds his official salary and expense allowance that the post is closed to all but independently wealthy individuals. This state of affairs must be corrected. Some steps have already been taken. More must be taken to the end that a career in American foreign service will be eagerly sought by thousands of our ablest young men and women.

Libraries where a wide selection of American books, magazines and official government documents can be obtained should be made available in all countries. Educational films showing what our country looks like and how we live, work and play should likewise be made available. Adequate coverage of day-to-day news events, not simply the headlines, must somehow be made available to the press of other countries. And, finally, international short-wage broadcasts from America should be greatly increased and approved.

Having agreed, as I think we must, that these informational services are an essential part of America's foreign program, we come next to the question of how the great task shall be divided between government and private agencies. I, for one, am strongly and unalterably opposed to our government's providing any foreign informational services which can and will be adequately supplied by American private enterprise. I hold this view for two reasons. First, because I believe it to be elemental that any and all informational material prepared or released by government is subject to the charge of being slanted (and as we may, some part of it *will* be slanted); and, second, because I believe our government should abstain from engaging in any activity (other than those which are peculiarly the functions of government) which private individuals and private capital are ready and willing to undertake.

Government Participation

It is clear, however, that private agencies and private capital will not be available to undertake some substantial part of the informational program I have outlined. The cost of carrying out this portion of the program must be borne by the government. Take, for example, international broadcasting. All reports confirm the fact that our current activities are woefully inadequate both in content and in the quality of the signal. Other countries, Britain and Russia, for example, are doing a very much more effective job than we are in the Continent of Europe. But inadequate as it is (and our government is spending about $7½ millions on foreign broadcasting this year as compared with a British expenditure of $16 millions), foreign brodacasting would fall away to a small fraction of the present output if the government withdrew its support and private broadcasters were relied upon alone. The reason for this, of course, is that in the present state of international broadcasting and trade the operators of private broadcasting facilities would be unable to obtain commercial sponsorship of foreign broadcasts in sufficient amount to finance more than a small fraction of the hours currently devoted to such broadcasting. In these circumstances it would appear that the only satisfactory solution is to develop international broadcasting to the desired level through a government-financed organization which is divorced from the operating departments of government and is given maximum freedom of action, program time being available both to the government and to private sponsors. Operating on this basis, there is good reason to believe that as trade expands and international broadcasting and the foreign radio audience grows, more and more of the broadcast time will be purchased by commercial sponsors and the job of providing adequate foreign information service will gradually revert to private agencies.

These elements, then — Trade, Travel and The Facts—properly and wisely developed can bring

about a degree of international friendship, confidence and understanding that will greatly reduce the risk of war. And since our military establishments, which is currently taking 50 cents of every dollar we pay in taxes, could be reduced proportionately to reduced hazard or exposure to war as measured by the attitude and armament of other countries, our great task is to develop and apply these friendship building measures with all possible speed and effectiveness. We stand to lose nothing if they fail. If they succeed, the rewards will be glorious, indeed.

Britain's Economic Position One Year After V-J Day

(Continued from first page)

ened to leave many families without a roof over their heads as demobilized and evacuated people came back to towns which had not enough dwellings to house them. A fourth attack was aimed at the clothing on our backs, which threatened to wear out before output could be stepped up enough to meet the people's needs. Then there was a fifth attack on the money in our pockets, the threat of inflation which aimed to drive prices sky-high and rob our earnings and savings of a large part of their value. Even these were not all. The country as a whole was threatened with bankruptcy in the sense that we would be without the necessary money or credit to buy from overseas the food we need to live on and the raw materials we need to work with. Finally, there was the attack on our morale. The powerful forces of fatigue and shortage and defeatism and disunity aiming to destroy our wartime sense of purpose and capacity for achievement and to persuade us that the struggle to make something of our victory was not worth while.

"Let us keep that picture in mind in considering the economic record since V-J Day and how we stand for the next phase of the campaign to win the peace. We cannot yet claim a conclusive victory on any front, but we can claim that this most formidable array of economic and social threats which have ever confronted Britain has been faced, held, brought under control, and in some cases partly repulsed.

"The impetus which is gathering behind reconversion and the progress already registered are all the more remarkable because each shortage—grave in itself—becomes even more dangerous by contributing to the rest. For instance, people have found it hard to buy because production was so low, but it was hard to increase production because there was so little to buy with the earnings and profits. It was, therefore, impossible to tackle bottle-necks and shortages separately one by one. The whole tangle had to be considered at once so that efforts could be concentrated on those shortages which were the cause of other shortages right down the line.

Government's Economic Strategy

"The Government's line of attack has been based on the following strategy:

"(a) Creating and maintaining suitable conditions—For example, use of subsidies to hold down the cost of living; proper use of controls, and where necessary rationing and priorities, to hold down prices and ensure fair shares; the Chancellor's successful balance between restoring Budget equilibrium and easing burdens all round; the maintenance of a very high degree of industrial peace; assured markets for farmers."

"(b) Smooth and rapid transfer from the Armed Forces and munitions to civil employment — About seven million men and women were released in the first year after V-J Day. This represented the most vast human transport problem we have ever faced in time of peace.

"(c) Priority for export drive—We all grumble when we see stuff labelled 'Export Only,' but what is now being achieved in exports—in the third quarter of 1946 they have been running at about 110% of 1938 volume — is heartening evidence of what is coming forward for the home consumer as reconversion is completed. The dividend on putting export first is already coming in in improved British credit and larger supplies. In 1946 we are importing by volume 69% of the amount we imported in 1938. Next year it will be more, although on exchange and supply grounds imports must lag a long time behind exports in surpassing the 1938 level.

"(d) The Production Campaign—I will come back to the production drive later on. Since V-J Day for the first time we have got the beginnings of a sound universally accepted national economic policy instead of talking about gold standards and how to find something for the unemployed to do we are now talking about real things, such as how to make and distribute the maximum goods and services with our limited manpower. This question of greater output per person employed is fundamental. Just as bottle-necks in one place cause bottle-necks right down the line, so increased production — due to greater effort and more scientific methods—assists or stimulates greater production elsewhere. Even in the inter-war period productive efficiency rose by an average of about 1½%, a year. This was equivalent to a windfall of a million extra workers over four years. As production teams get settled and wartime lessons both in technique and in leadership can be applied right through industry, we should see a much bigger increase in output per person employed. We have barely yet scratched the surface of the opportunities of increased production which exist. We have, however, nearly got over the most difficult period of demobilization, of releasing factories and other premises to civil industry, of re-tooling, re-training and rebuilding production teams. We have also gone far in refilling the pipe-line between factory and consumer which was drained after 1939. The dividend on all this will begin in the second year after V-J Day, the year which we have just entered.

"(e) Economic Planning—I spoke on this at some length yesterday elsewhere and will not repeat what I said then, except to remind you that without the economic planning machinery which is being developed there will be no reasonable hope of maintaining stable economic conditions.

"I have reminded you of the many varied and grave threats which faced us after V-J Day and the government strategy for countering them. Now let us look at the actual progress of production.

The Progress of Production

"In fuel and power, coal is of course the difficult spot. Our fuel and power industries, except perhaps electricity, were starved of capital before the war and we are paying the price now. Few people even now realize that the consumption of coal in this country is running well up to prewar rates. The fall in output has almost wiped out exports, but the shortage here is due to the fact that the nation needs more coal than before the war because of greater activity, not because the coal available at home is less. The home supply of electricity is of course greatly above prewar, in fact about double what it was ten years ago — this is another form of shortage which is due to increased demand rather than to reduced supply. The bottle-neck in building materials, which threatened to bring the building industry to a halt but has been met by an increased production—e.g. brick production up from 101 million in July 1945 to 305 million in July 1946; cement, in the same period, from 373,000 tons to 682,000 tons; clay tiles from 21,000 squares to 54,000 squares.

"Now take heavy industry. How many people realize the scale on which British heavy industry is producing? In **no single month** this year has production fallen as low as the **average** month of 1935 for any of the following products —steel ingots and castings, heavy rails and sleepers, heavy and medium plates, cold rolled strip, wire, and steel castings. Even in the holiday month of August steel ingots and castings were 18% above the 1935 monthly average and 13% above even the level of the rearmament year of 1938. Yet steel is very short. Why? Because organized demand, in spite of all we have to do to throttle it down, is out-running the present capacity of the industry.

"Or turn to another shortage—aluminum. How much did we make in 1935? 1,250 tons a month. How much are we making now? More than twice as much (2,700 tons average for 1st half year). If we only used as much aluminum now as in that 'normal' peacetime year 1935 we would be about self-supporting in it; actually while our output has doubled, our effective demand has tripled.

Engineering Products

"Let us now look at some engineering products. Take machine tools of all types. In 1935 we made £7¼ millions worth; in the 12 months up to the end of July 1946 we made £18 millions worth. Allowing for the rise in prices there is a good 50% increase in output. We are making locomotives steadily at the rate of 700 a year which is an improvement on 1935 output. Or railway wagons. In 1935 we made 1,500 a month; this year after conversion to tank production during the war we started at only 1,300 a month, but the industry is well set to beat the 1935 figure on the whole year. Electric lamps. Here is an industry deconcentrated just before V-J Day which is now making 180 million lamps a year against 100 million in 1935. Exports of lamps are up 50% on 1935 and we only need to import a small fraction of the prewar figures.

New Industries

"New industries are also starting up. Alarm clocks which we did not make before the war are now coming out at a rate of 50,000 a month. In August we made clocks and watches worth nearly four times the 1935 monthly average. Monthly production of motor cars has tripled since the beginning of this year although it is still only two-thirds of the 1935 level.

"Even in the textile field rayon production has recovered to slightly above prewar level, although production of wool cloth is only about 75% of prewar and cotton is another black spot.

"Kettles and saucepans were among the quickest articles to benefit from reconversion and are coming out at an annual rate over 50% above 1945. There is still a bottle-neck in footballs; the output is not yet up to three-quarters of prewar. But tennis balls are being served from the factories at the rate of 7 million a year or 15 times as many as this time a year ago, and two-thirds of these are for home use. Toys once a notorious shortage, are again in fair supply. Tobacco is being used for cigarettes at 120% of prewar; In August we produced about 8,100 millions cigarettes against 6,300 millions monthly in 1939. Even some raw materials such as rubber are beginning to come back into free supply. So much for individual cases.

The General Picture

"First—a record of impressive output in many lines which should be enough to satisfy everyone that Britain can Make It. We want an all-out effort for greater production. But the reason we want it is not because of any general failure by both sides of industry to get down to the job. It is rather because the magnificent and encouraging record of the first year after V-J Day shows what great things industry can do when the difficulties and discouragements of reconversion are left behind. Let us not be depressed by defeatists who harp on falling productivity and shortages. How can productivity soar and shortages disappear while millions of people are entering and learning new jobs, hampered at every stage by legacies of the war? (On this, by the way, it is worth noting that the number of demobilized men not yet at work fell last month from 725,000 to 540,000 which means a further 180,000 added to productive strength.)

"Second—the many-pronged attacks launched since V-J Day against our stomachs by world famine, against our hearths and jobs by lack of fuel, against our shelter by lack of houses, against our clothing by textile bottle-necks, against our money by the danger of inflation, and against our supplies from abroad by our adverse balance of payments and against our morale by general shortages and fatigue—these attacks have not beaten down our defenses. All have been held, often at heavy sacrifice, and some are visibly being repulsed. Our base for the counter-attack stands firm and our morale is high.

"Third — the many shortages which still press so hardly on us are not all of the same kind. Many are due to war devastation or enforced neglect here and overseas. Food and raw material are not being grown enough on the ravaged fields of Europe and southeast Asia. Damaged mines and factories and railways are a drag on the resumption of world trade and of supplies which we need from many countries. Until the damage and neglect are made good the flow of output will not recover. That is a physical, rather than a political problem.

"Other types of shortage are due to lack of manpower, aggravated by the reluctance of workers to join industries which have fallen behind others because they were backward in peace or unessential in war on the scale of present requirements. This type of shortage is particularly difficult to bear, especially since it affects essential clothing, fuel and building materials. The leeway lost over several years cannot be made good in a month or two, but those industries which cannot meet requirements without more workers must be treated as a special and urgent problem by all concerned. Incidentally America with its much greater resources and its free enterprise system is experiencing much the same troubles.

"The third type of shortage is the shortage due to intense demand pressing on even a high level of supply—in fact boom conditions. That is in its way a healthy type of shortage and within limits we must get used to it. There never was and there cannot be for quite a time enough of everything to satisfy everyone. There only seemed to be surpluses because the failure to distribute purchasing power before the war was so tragic. Purchasing power in fact was shortage No. 1 of the prewar economy, and employment was shortage No. 2. Those shortages were so vast that they swamped all others. Now there is no shortage of purchasing power and only a localized shortage of jobs. Therefore all the other shortages are seen in true perspective and the only way to break them is by much more output. It is a truth which we must face that with the expansion and better distribution of purchasing power the country can have much more milk, or beer, or cigarettes, or steel, or electricity than before the war and still be desperately short of all these things. Industry and agriculture have been crying out for years for more demand. Now the challenge is for them to satisfy it.

The Production Campaign

"Now a word about the Production Campaign, in which British newspapers have already played a valuable part, and, I am sure, will wish to go on. I can assure you that both industry and the Government Departments concerned have appreciated the good and faithful reporting which the newspapers have given the Production Conferences; and, I would add, it shows good journalistic sense, because there is no news of such vital importance to the nation today as news of production and productivity. Success or failure in production will affect every reader of every newspaper in the land—upon its success depends their standard of living and their hopes for the future.

"The Production Campaign was opened by the Prime Minister's Broadcast in March. It has consisted, in the main, of necessary foundation work in the way of conferences between employers and Trade Unionists.

"Following the first two big conferences in Central Hall in March, there have been twenty-two conferences, each addressed by Cabinet Ministers, and attended by over 25,000 representatives of employers and workers.

"The policy of the Government on increasing production has been endorsed by representatives of both sides of industry at the Conferences. We must now begin to think as individuals along the same lines, and to help to bring this about we can rely upon employers and factory managers, trade union branches and shop stewards. They will need all the help we can give them—perhaps, above all, the help you can give them in the newspapers by reporting progress fairly and explaining how the statistics of progress fit into the economic pattern. Local color is of special importance to our newspaper friends outside London, and I would advice keeping in touch with the Chief Regional Officers of the Central Office of Information who are concerned with the production drive and should be in a position to give a constant flow of significant progress news stories.

"We have in the room here some specimens of the posters which are already going up all over the country. In addition to these, there is planned a series of posters specially designed for display in factories. There will be others addressed to people about to retire and others to women in industry. Then there are the small booklets, which contain some solid sensible material, for distribution at meetings."

The State of Trade

(Continued from page 2387)

steel companies having 94% of the steel capacity of the industry will be 91.1% of capacity for the week beginning Nov. 4, compared with 89.4% one week ago, 90.4% one month ago and 77% one year ago. This represents an increase of 1.7 points or 1.9% from the previous week.

This week's operating rate is equivalent to 1,605,500 tons of steel ingots and castings and compares with 1,575,600 tons one week ago, 1,593,200 tons one month ago and 1,410,400 tons one year ago.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to 4,601,767,000 kwh. in the week ended Oct. 26, 1946, from 4,539,712,000 kwh. in the preceding week. Output for the week ended Oct. 26, 1946, was 16.9% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 202,500,000 kwh. in the week ended Oct. 27, 1946, compared with 180,200,000 kwh. for the corresponding week of 1945, or an increase of 12.3%. Local distribution of electricity amounted to 187,800,000 kwh. compared with 178,600,000 kwh. for the corresponding week of last year, an increase of 5.2%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended Oct. 26, 1946, totaled 942,257 cars, the Association of American Railroads announced. This was an increase of 10,491 cars (or 1.1%) above the preceding week and 87,478 cars, or 10.2% above the corresponding week for 1945. Compared with the similar period of 1944, an increase of 25,772 cars, or 2.8%, is shown.

Paper and Paperboard Production — Paper production in the United States for the week ended Oct. 26, was 106.8% of mill capacity, against 105.1% in the preceding week and 95.8% in the like 1945 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 101% against 98% in the preceding week, and 98% in the corresponding week a year ago.

Business Failures Lower — Although declining from the previous week's level, commercial and industrial failures in the seven days ending Oct. 31 continued to exceed, for the sixth straight week, the failures in the comparable week of 1945. Dun & Bradstreet, Inc. reports 22 concerns failing as compared with 33 last week and 17 in the corresponding week a year ago.

Fifteen of the week's failures involved liabilities of $5,000 or more. These large failures were only half as numerous as a week ago, however, when 30 were reported, but they remained above the 12 in the same week of 1945. On the other hand, small failures with losses under $5,000 showed an upward trend, with more than twice as many concerns failing as last week. Failures in this small size group numbered seven against three a week ago and five in the comparable week of 1945.

Retailing accounted for one-half of the failures in the week just ended. More numerous than in any week since February, concerns failing in this trade rose from seven in the previous week to 11 this week, about five times the two failures occuring in the comparable week a year ago. A downward turn, on the other hand, appeared in manufacturing failures. The number of manufacturers failing declined to seven this week, only half as many as in the preceding week and slightly below the 1945 record. No other industry or trade group had more than three concerns failing; one, wholesale trade, did not have any failures.

Seven Canadian failures occurred, as compared with five in the previous week and six in the corresponding week of 1945.

Wholesale Food Price Index Rises Slightly — Wholesale food prices increased last week for the eighth consecutive time, to a new high; the increase from the preceding week was not as steep as in past weeks. The Dun & Bradstreet wholesale food price index was $6.44 on Oct. 29, up 1.6% from the $6.34 on Oct. 22. The latest index was 56.7% above the $4.11 for the corresponding date a year ago. Commodities with higher prices the past week were flour, wheat, rye, oats, coffee, cocoa, butter, cheese, potatoes, hogs, sheep and lambs. Six foodstuffs with lower prices were corn, barley, cottonseed oil, eggs, hams, and bellies. This index, based on authoritative quotations in legitimate markets has not at any time reflected black market or under-the-counter prices and should not be confused with cost-of-living indexes. The index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index — Fluctuations in prices of grains, livestock, and cotton were primarily responsible for the changes last week in the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc. Although there was a slight rise in the index to 240.40 on Oct. 24, subsequent declines resulted from a rapid fall in cotton prices. The index, which stood at 236.73 on Oct. 22, was 233.71 on Oct. 29 compared with 179.33 a year ago.

There was only a slight drop in prices of grain futures on the Chicago Board of Trade last week although some trades liquidated their holdings. The drop in prices of wheat futures was not reflected in cash grain prices due to the buying of cash wheat by Government agencies during the week. The volume of wheat traded recently has been small so that currently active selling resulted in a more severe break in price. During the week price ceilings were removed from wheat flour but there was little appreciable increase in trading. Trading in oats futures was the heaviest of all grains last week although the volume of trading was moderately below that of the previous week; there was a decline during the week in the volume of trading in all grains. Corn receipts rose during the week; both cash and futures prices were little changed. Livestock moved into stockyards in increasing quantities during the week and prices were generally higher. Hog prices fluctuated and the net change for the week amounted to a slight drop. Sheep and lamb prices moved upward in the week; there was a let-up in receipts at stockyards. Lamb prices held at a high level after previous rapid increases. Demand for cash lard eased somewhat after the heavy purchases the week before.

Cotton prices moved up early last week in both the spot and futures markets and regained part of the heavy losses of the previous week. This was followed later by a decline brought on by renewed profit taking and general liquidation. Cotton yarn sold well during the week. Converters were offering large quantities of lower-grade finished goods.

The volume of wool bought in the Boston wholesale market decreased last week as prices of foreign wools moved upward and the Commodity Credit Corporation maintained the higher prices on domestic wools. European countries continued to be the largest purchasers at wool auctions in Australia. Imports of unmanufactured apparel and carpet wool at Boston, New York, and Philadelphia amounted to 11,862,700 pounds, clear basis, in the week ended Oct. 18 compared with 7,714,200 pounds in the previous week.

Retail and Wholesale Trade — Retail volume continued to be at a very high level during the past week, being up slightly from that of the previous week and considerably above that of the corresponding week a year ago, Dun & Bradstreet, Inc. reports in its current survey of trade. Interest in some seasonal items waned as temperatures remained high. Many shoppers were becoming increasingly selective with regard to quality and, in some cases, to prices.

Housewives were cautious shoppers last week as rising prices followed the lifting of price controls from all foods except rice, sugar and some sugar products. The supply of meat continued to increase above the low level of the previous week with prices falling sharply in some cities. The supply of poultry, fish, fresh vegetables and fruits were adequate.

Sportswear, resort styles and almost all types of men's wear were best sellers in the apparel line. Interest centered largely on brightly colored woolen and pastel crepe dresses. Coats and furs were seldom requested during the past week of unseasonally warm weather. The demand for main floor items remained heavy. Selections of men's apparel continued to increase slowly.

Stocks of curtains and draperies were reported to be adequate in many localities. Wool piece goods were generally plentiful, but selections of rayon piece goods remained limited. The supply of cotton piece goods increased slightly from the low levels of previous weeks.

Price controls were lifted from many household appliances and kitchenware last week and the supply was adequate. Furniture, hardware and home decoration items continued to attract a large share of consumer attention.

Retail volume for the country in the week passed was estimated to be from 21 to 25% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 20 to 24, East 21 to 25, Middle West 19 to 23, Northwest 25 to 29, South 25 to 29, Southwest 23 to 27 and Pacific Coast 18 to 22.

Wholesale volume declined slightly during the week, though it was very high in comparison with that of the corresponding week a year ago. Selectivity continued to increase as buyers centered their demand on quality goods and brand names. The termination of many price controls last week was followed by cautious buying as future price developments were awaited.

Department store sales on a country wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 26, 1946, increased by 23% above the same period of last year. This compared with an increase of 24% in the preceding week. For the four weeks ended Oct. 26, 1946, sales increased by 19% and for the year to date by 29%.

Business here in New York last week was busily engaged in readjusting itself to the new conditions prevailing with the lifting of many controls. The openings of women's garment spring lines and heavy sales of cotton textiles played an important role in the week's activities. Retail trade continued to lose ground due to abnormally high temperatures and the unsettled United Parcel Service strike. In the week wholesale food volume was reported at 30% above the like period one year ago. Inventories aside from canned tomato and tomato products and canned fish were stated to be good. The opening of chain stores following the settlement of the trucking strike had some slight adverse effect upon independent enterprises.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Oct. 26, 1946, increased 3% above the same period last year. This compared with an increase of 4% in the preceding week. Work stoppages in the trucking industry accounted for the reduced sales for the week in the cities of New York and Newark. For the four weeks ended Oct. 26, 1946, sales rose by 1% and for the year to date by 31%.

How Long Will Prosperity Last?

(Continued from first page)

portance of all the events that take place before our eyes, nor do we always see them in their proper perspective. For instance, take the events which started in 1929, 17 years ago almost to a day, when the theatrical journal "Variety" came out with the headline "Wall Street Lays an Egg." Few of us then realized that the stock market break was ushering in a major depression.

In 1929, business was still humming, but the economic fabric was badly torn and twisted. Even with all the hindsight which has been brought to bear upon the causes of the great depression, we are still not too sure how it came about. It is possible that our postwar experiences after World War II may add something to our knowledge.

Parallels of Two Wars

There appear to be three ways in which economic developments during and after the second World War parallel those of 25 years earlier. An understanding of these may help us to understand the stresses and strains which lie ahead of us in the next few years. First, as a result of the huge volume of work to be done to win the war, and as a result also of the generous Government pay rolls, total money incomes were tremendously increased between 1940 and 1945. The huge momentum generated during this period has continued national income at a level as high as the highest of the war period. The current level of national income appears to be about $160 billions, which is twice the $80 billions figure which marked the postwar peaks of 1929 and 1941.

The second significant point is that taxation during the war period did not cover war expenses. We did pay 46% of the war costs as compared with 32% during World War I, but the total was vastly greater and the remaining deficit of 54% was borrowed by the Government. The money which was so borrowed by the Government came back to the public and business in payment of wages and products and went back into the banks to create increased deposits. While the savings of the public are not spread among as many individuals and family groups as we had hoped would be the case, we do know that more people have more money than in any other period in our history.

The third factor is that the public wants to live better than ever before. We may call it "keeping up with the Joneses," but it is indicative of a period of high industrial and economic activity.

These three factors find their expression in expansion of demand, both deferred and current, and we have the elements which our economists tell us are needed for a boom. As a matter of fact, we are right now in a boom period. Producers have been trying to provide greater capacity, and the huge program of building and equipping plants has further enlarged the money income stream.

As yet there has been no commensurate increase in the flow of consumer goods, but it is increasing and will soon reach huge proportions.

Will Prosperity Last?

The question is, how long will this prosperity last? Are we in the midst of a boom which will soon become deflated? Should the recent reversals in the stock market be interpreted as signs of coming depression? There appear to be so many favorable factors that most of our economists do not believe that a serious depression is under way. There must undoubtedly be readjustments of values such as took place in 1920-21, and we should probably be thankful that such readjustments come when we are able to weather them and while we still have a huge backlog of unsatisfied consumer demand.

There could be no better time for such a break and decline in the stock market than the present. This break has come at what thus far has been the crest—upwards—of the present cyclical, buoyant, inflationary waves. It is a good reason for restraint on the part of labor and for asking industry and labor not only to plan for higher per-worker productivity, but to plan as surely as they possibly can for lower prices as soon as total output rises.

We need greater efficiency in our entire economy. We need greater productivity, which means more output per worker every day. That does not mean the "speed-up" or the "sweating" of labor. As a matter of fact, it is management that must do most of the sweating. When we all realize that the more we produce, the more we will have, then we shall reach the efficiency which we need for a high standard of living and a balanced economy.

Trend from Farm Creates Fragile Economy

For many years the trend has been away from the land, so that now only one-fifth of our people still remain on farms. The result is a predominantly urban population and a fragile economy. There are no frontiers of new land where people may go when times get tough, but that does not mean that frontiers are lacking. There are unbounded frontiers ahead of scientific research, and these frontiers show great promise as new processes and new products are developed. The job ahead is to speed up the process so that new scientific developments may provide new jobs and a continuing high standard of living.

All of us in and out of business should give of our time for the study of international problems, so that we may have an intelligent understanding of the present world situation and a realization of the interdependence of the nations of the world. International problems will never be solved if the wealthier nations of the world do not share their progress in an understanding way, by sensible programs of loans and sound, direct investment with the nations which are struggling to come up.

Here at home, our national budget is still unbalanced. This fact should give all of us concern because the time has arrived when we must again live within our means and begin to pay back the money which we borrowed to see us through the emergency. When the budget is balanced industry will go forward with renewed confidence.

Selected Income and Balance Sheet Items Class I Railways for May

The Bureau of Statistics of the Interstate Commerce Commission has issued a statement showing the aggregate totals of selected income and balance sheet items for Class I steam railways in the United States for the month of May and the five months ending with May, 1946 and 1945.

These figures are subject to revision and were compiled from 129 reports representing 133 steam railways. §§ The present statement excludes returns for Class A switching and terminal companies. The report is as follows:

	All Class I Railways — For the month of May 1946	1945	For the five months of 1946	1945
Income Items—	$	$	$	$
Net. ry. operating income	**††$4,779,573	$103,633,696	$114,603,472	$448,579,002
Other income	13,272,247	15,624,108	66,707,069	73,659,163
Total income	8,492,674	119,257,804	181,310,541	522,238,165
Miscell. deductions from inc.	1,503,640	2,626,433	11,116,462	12,689,886
Inc. avail. for fixed charges	6,989,034	116,631,371	170,194,079	509,548,279
Fixed charges:				
Rent for leased roads & equip.	9,905,340	12,435,908	48,050,775	61,799,156
*Interest deductions	31,029,438	31,654,671	149,724,669	156,997,349
Other deductions	128,074	122,955	599,025	551,412
Total fixed charges	41,062,852	44,213,534	198,374,469	219,347,917
Income after fixed charges	††34,073,818	72,417,837	††28,180,390	290,200,362
Contingent charges	2,999,844	3,723,702	14,717,131	16,428,008
†Net income	††37,073,662	68,694,135	††42,897,521	273,772,354
Depreciation (way and structures and equipment)	28,685,529	27,745,689	142,219,223	137,878,937
Amortiz. of defense projects	757,614	19,906,733	3,096,380	97,526,394
Federal income taxes	††7,963,249	109,910,090	9,636,264	481,568,938
Dividend appropriations:				
On common stock	22,186,935	41,338,091	67,050,641	70,185,782
On preferred stock	4,027,041	9,580,755	19,601,181	18,181,346
¶Ratio of inc. to fixed charges	0.17	2.64	0.86	2.32

	All Class I Railways Balance at end of May 1946	1945	‡‡Class I Railways Not in Receivership or Trusteeship Balance at end of May 1946	1945
Selected Asset Items—				
Expenditures (gross) for additions and betterments:				
Road	$83,496,649	$81,332,995	$69,104,267	$66,147,187
Equipment	91,248,967	110,397,847	77,340,944	93,002,508
Investments in stocks, bonds, etc., other than those of affiliated companies	588,928,154	563,951,368	559,811,697	541,467,389
Other unadjusted debits	174,525,985	248,610,196	97,725,632	197,427,722
Cash	1,044,482,125	1,242,795,643	860,808,725	1,041,792,867
Temporary cash investments	1,367,556,296	1,812,006,393	1,049,756,927	1,438,942,078
Special deposits	199,630,432	292,232,307	187,123,475	281,992,410
Loans and bills receivable	476,239	378,563	470,195	375,653
Traffic & car-service bal.—Dr.	35,893,753	59,040,540	27,412,283	38,291,932
Net balance receivable from agents and conductors	88,829,524	140,375,102	78,685,366	126,320,552
Miscellaneous accounts receiv.	373,655,947	614,537,340	304,414,560	499,729,858
Materials and supplies	608,760,176	605,825,835	529,178,315	526,063,920
Interest & dividends receivable	29,246,315	40,286,065	24,195,665	34,784,516
Accrued accounts receivable	194,526,575	285,241,177	167,498,261	235,210,939
Other current assets	32,422,845	56,130,653	26,463,475	52,857,019
Total current assets	3,975,480,227	5,148,849,618	3,256,007,247	4,276,361,744
Selected Liability Items—				
‡Funded debt maturing within 6 months	127,777,165	131,597,820	120,180,006	106,224,229
§Loans and bills payable	10,854,058	3,985,000	7,000,000	500,000
Traffic and car-service balances—Cr.	104,750,451	176,569,853	90,823,602	150,267,134
Audited accs. & wages payable	516,861,216	491,260,589	451,788,962	424,391,003
Miscellaneous accounts payable	166,235,119	206,776,637	130,639,369	167,931,941
Interest matured unpaid	50,551,856	100,501,994	44,681,393	94,158,095
Dividends matured unpaid	8,779,878	8,313,990	8,502,168	8,036,141
Unmatured interest accrued	59,158,868	61,845,862	58,382,555	60,676,675
Unmatured dividends declared	39,703,490	60,468,212	39,703,490	60,468,212
Accrued accounts payable	225,870,864	221,369,733	186,136,294	171,296,673
Taxes accrued	671,719,332	1,799,669,744	558,045,177	1,549,590,624
Other current liabilities	148,824,901	149,282,669	137,925,648	139,667,861
Total current liabilities	2,003,310,033	3,280,044,283	1,713,628,658	2,826,984,359
Analysis of taxes accrued:				
U. S. Government taxes	542,183,567	1,655,524,979	444,872,441	1,432,941,279
Other than U. S. Gov. taxes	129,535,765	144,144,765	113,172,736	116,649,345
Other unadjusted credits	396,659,857	560,544,038	323,054,180	487,588,681

*Represents accruals, including the amount in default. †For railways not in receivership or trusteeship the net income was as follows: May, 1946, deficit, $27,555,773; May, 1945, $61,948,385; for the five months ended May, 1946, deficit, $19,970,876; five months ended May, 1945, $240,898,583. ‡Includes payments of principal of long-term debt (other than long-term debt in default) which will become due within six months after close of month of report. §Includes obligations which mature not more than one year after date of issue. ¶For railways in receivership and trusteeship the ratio was as follows: May, 1946, 0.01; May, 1945, 1.68; five months, 1946, 0.52; five months, 1945, 1.68. **Net railway operating income is affected by accruals for recent wage awards, retroactive to Jan. 1, 1946, in the amount of $1,082,261 for the month of May. ††Deficit. ‡‡Figures include returns of the Chicago, Milwaukee, St. Paul and Pacific which emerged from trusteeship on Dec. 1, 1945 and the Chicago, Indianapolis and Louisville Ry. Co. which emerged from trusteeship on May 1, 1946. §§Excludes Toledo, Peoria and Western RR. road not in operation.

August Portland Cement Output 63% Higher

Production of 16,213,000 barrels of finished portland cement during August, 1946, reported to the Bureau of Mines, United States Department of the Interior, was 63% greater than that reported for August, 1945. Although 79% of capacity was utilized, production did not meet demands and mill stocks continued to decline to an Aug. 31 total of 9,322,000 barrels. This represents a decrease of 42% from that reported in the corresponding month of the previous year. Mill shipments of 17,955,000 barrels were 57% greater than those reported for August, 1945. Clinker production of 16,104,000 barrels in August, 1946, represents an increase of 65% over that reported for August, 1945.

Demand for cement, as indicated by mill shipments, in August 1946, as in the previous months, was higher than the corresponding months of 1945, in all districts of the United States and in Puerto Rico, but was lower in Hawaii. The increases range from 13% in California to a maximum of 112% in Kansas.

PORTLAND CEMENT IN THE UNITED STATES, PUERTO RICO AND HAWAII

	—1945—Month	—1946—	—*1945—8 Mos.	—1946—
Finished cement:				
Production	9,921,000	16,213,000	61,405,000	101,053,000
Shipments	11,467,000	17,955,000	65,432,000	108,165,000
Stocks (Aug. 31)	15,966,000	9,322,000	------	------
Capacity used	49%	79%	38%	63%
Clinker:				
Production	9,743,000	16,104,000	60,978,000	102,357,000
Stocks (Aug. 31)	4,556,000	4,534,000	------	------

*Includes figures for Hawaii from May to August, inclusive. New plant first started reporting in May, 1945.

National Fertilizer Association Recession Is Registered in Commodity Price Index

The wholesale commodity price index compiled by The National Fertilizer Association and made public on Nov. 4, declined in the week ended Nov. 2 to 181.0 from 184.4 (its all-time high level) in the preceding week. A month ago the index stood at 173.8 and a year ago at 141.7, all based on the 1935-1939 average as 100. The Association's report went on to say:

The principal decline during the latest week was registered in the farm products group, which declined 5.8% from the preceding week. The cotton index declined sharply and was almost back to the level of June 22. Grain prices were mixed, with lower prices for corn and wheat more than offsetting higher prices for oats and rye. The livestock subgroup declined substantially, with declines shown in cattle, calves, hogs, lambs, sheep and eggs. The foods group also declined as a result of lower prices for butter, dressed meats, dressed fowl, and cottonseed oil more than offsetting higher prices for potatoes, dried beans, and canned milk. The textile index was moderately lower. The miscellaneous commodities group advanced and reflected higher quotations for feedstuffs. The building materials group advanced due to an increase in linseed oil prices.

During the week 21 price series in the index declined and 12 advanced; in the preceding week 10 declined and 31 advanced; in the second preceding week 9 declined and 22 advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935—1939=100*

Each Group Bears to the Total Index	Group	Latest Week Nov. 2, 1946	Preceding Week Oct. 26, 1946	Month Ago Oct. 5, 1946	Year Ago Nov. 3, 1945
25.3	Foods	201.9	206.2	187.4	144.6
	Fats and Oils	280.1	287.4	193.1	146.6
	Cottonseed Oil	279.2	284.9	202.3	163.1
23.0	Farm Products	224.0	237.7	217.5	172.0
	Cotton	286.4	331.1	368.4	224.2
	Grains	215.6	220.3	216.8	165.8
	Livestock	222.2	233.2	194.2	166.1
17.3	Fuels	154.2	154.2	154.2	129.9
10.8	Miscellaneous commodities	151.1	149.5	143.5	132.8
8.2	Textiles	201.0	207.8	210.8	160.1
7.1	Metals	125.0	125.0	124.5	109.8
6.1	Building materials	184.5	178.5	178.6	154.7
1.3	Chemicals and drugs	128.2	128.2	128.2	126.2
.3	Fertilizer materials	122.5	122.5	122.5	118.3
.3	Fertilizers	125.1	†125.1	†125.1	119.9
.3	Farm machinery	116.6	116.6	116.5	105.0
100.0	All groups combined	181.0	184.4	173.8	141.7

*Indexes on 1926-1928 base were: Nov. 2, 1946, 141.0; Oct. 26, 1946, 143.6, and Nov. 3, 1945, 110.4. †Revised.

From Washington Ahead of the News

(Continued from first page)

weeks, experience the greatest relaxation that can come to a man. Naturally, it gives him no great kick to know that his party has suffered a serious defeat and that in that defeat, he was considered such a liability as not to be permitted to speak.

But as to his real underlying attitude, we have this from one of his closest friends and advisers:

Ever since he was catapulted into the Presidency, his first thought as to what he should do, was right. But then the forces which he did not set up and over which he had no control, would come pressing him with the argument: "If you don't do this, you are repudiating the great Franklin Delano Roosevelt." After all, Roosevelt had made him Vice-President which resulted in his being President. Truman is an intensely loyal man as witness his loyalty to Boss Pendergast when he was in trouble. It is also a fact that he had voted along with Roosevelt pretty much on his New Deal measures. But in his thinking, these latter were something that were not his particular responsibility; they were over his head, and in carving out his career as a Senator, they were something he ought to go along with rather than try to buck the tide. With other Senators he used to fret over what was being done and with them, agree that oh nuts, the tide is that way, the thing for me to do is to hold my job. Which is, of course, to say that he is not a Big man, whatever that is.

Be that as it may, we are assured by his closest friend that when he entered the White House, he came to feel his great responsibility and in the exercising of that, he wanted to go very differently from the way his predecessor had gone. He did not want to be a crusader for anything; he felt very definitely that the country had gone too far to the left, he had no ambition to tell it so, but he wished very much that it would swing back and his idea was that if he left it alone, it would do just that.

Problems arose, however. When they arose, he encountered the demand from the mob, from the press, that he intervene. And when he prepared to intervene, there was always hanging over him, the argument of the Leftists: "Are you going to repudiate the policies of the great FD?"

We are assured by his closest friend whom we've been representing, that with the elections over, and he has come to relax and forget his personal experience in them, that he can and will take the attitude, that it was not he who repudiated the great FD's principles, such as appeasement of Russia, of strikes whereby men are on strike for three months and then when they return to work, are held out of work because of strikes in supplier plants, but that it was the American people who did the repudiation. Then he can go on from there.

Amazing as it seems, we are assured, he will really welcome a Republican Congress, the stalemate which is talked about. Because he himself, has no crusading program which he wants to put over. He will appreciate the relative calm which will come to American affairs.

New Managing Director Of Netherlands Bank

Advices Oct. 21 from Amsterdam (Netherlands News Agency) stated that Dr. J. R. Van Taalingen, head of the Netherlands Bank's foreign exchange department, will become Managing Director of the bank, as succeeding Dr. Arnold J. D'Ailly, who was recently appointed Mayor of Amsterdam, it was learned. The foregoing advices were reported in the New York "Times" of Oct. 22.

Pope Radios Message To Boston Meeting

The National Congress of the Confraternity of Christian Doctrine, meeting in Boston on Oct. 26, heard an address delivered by radio by Pope Pius XII from his summer residence at Castel Gandolfo, Italy, in which his Holiness declared that "perhaps the greatest sin in the world today is that men have begun to lose their sense of sin." The Pope told his radio audience that the challenge sent from the heart of Christ to the Congress was that the Church "be holy and without blemish." He declared, according to Associated Press advices, that the "growing weakness, the devitalizing process going on in not a few parts of the church is due chiefly to an ignorance, or at best a very superficial knowledge of religious truths." The church is menaced not only from without, "but also by the interior forces of weakness and decline," Pius XII asserted, and added that religious instruction was "indispensable not only for children in Sunday schools and growing youth in higher classes," but should "hold a place of honor in college and university curricular."

The Pope concluded his address to nearly 12,000 assembled delegates of the Congress with the Apostolic Benediction.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 4 that the tenders for $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Nov. 7 and to mature Feb. 6, which were offered on Nov. 1, were opened at the Federal Reserve Banks, on Nov. 4.

Total applied for $1,804,814,000.

Total accepted, $1,311,974,000 (includes $29,149,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.372% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

71% of the amount bid for at the low price was accepted.

There was a maturity of a similar issue of bills on Oct. 31 in the amount of $1,315,336,000.

Greeley in Excess Profits Council Post

The Treasury Department announced on Oct. 29 the appointment of Harold Dudley Greeley, New York attorney and accountant, as a member of the Excess Profits Tax Council. Mr. Greeley's appointment completed the roster of the 15-member Council, which recently began its program of administering claims of corporate taxpayers for relief from the wartime excess profits tax, under Section 722 of the Internal Revenue Code. Charles D. Hamel is Chairman of the Council. Mr. Greeley received law degrees from New York University (LL.B.) and the University of Maine (LL.M.) and also took graduate studies at Harvard University. He was admitted to the bar in New York and Connecticut and also qualified as a certified public accountant in New York. He has been engaged in the practice of both law and accounting since 1912, and has also been a Professor of Taxation at the New York Law School and a lecturer on Taxation and Estates at Columbia University, New York University, and other institutions.

Gross and Net Earnings of United States Railroads for the Six Months Ended June 30

During the first six months of the current year, the railroads showed marked decreases in both gross and net earnings. The gross earnings for the first six months of 1946 were approximately 75% of those compiled for the corresponding six months of 1945, and the net earnings were only about one-third of the 1945 period. The gross earnings for this period were the lowest since 1942, and the net earnings were the lowest since 1939.

Gross earnings for the first six months of 1946 were $3,577,307,662 as compared with $4,697,322,658 in 1945. This is equivalent to a decrease of 23.84%. Operating expenses were only slightly less than in 1945. For the current six-month period they were $3,085,325,344 as compared with $3,194,524,028. The net earnings with $491,982,318 were equivalent to a drop of 67.26% when compared with net earnings of $1,502,798,630 for the corresponding six-month period of 1945. These figures are now presented in tabular form:

Jan. 1 to June 30—	1946	1945	—Inc. (+) or Dec. (—)— Amount	%
Mileage of 131 roads	227,770	228,293	— 523	— 0.23
Gross earnings	$3,577,307,662	$4,697,322,658	—$1,120,014,996	—23.84
Operating expenses	3,085,325,344	3,194,524,028	— 109,198,684	— 3.42
Ratio of exps. to earns.	(86.25%)	(68.01%)		
Net earnings	$491,982,318	$1,502,798,630	—$1,010,816,312	—67.26

Next we shall turn to a month-by-month breakdown of these totals. These figures were presented in our regular monthly articles, and are now presented for comparative purposes. The greatest gross earnings for any month in the current year were recorded in January. The lowest were recorded in May. In net January again shows the largest figures, and the month of March shows the lowest net earnings. A monthy-by-month comparison in both gross and net earnings for the first six months of 1946 and 1945 is presented below:

Month—	GROSS EARNINGS 1946 $	Year 1945 $	Inc. (+) or Dec. (—) Amount $	%	MILEAGE Year 1946	Year 1945
January	640,871,880	750,911,171	—110,039,291	—14,65	227,904	228,322
February	579,136,125	712,806,326	—133,670,207	—18,75	227,799	228,539
March	646,099,474	812,918,455	—166,818,981	—20,52	227,794	228,288
April	566,701,500	778,574,290	—211,872,790	—27.21	227,800	228,290
May	532,553,368	822,568,254	—290,014,886	—35.26	227,742	228,289
June	611,939,411	819,945,586	—208,006,175	—25.37	227,692	228,267

Month—	NET EARNINGS 1946 $	1945 $	Inc. (+) or Dec. (—) Amount $	%
January	150,812,525	220,865,926	— 70,053,401	—31.72
February	128,908,534	213,163,750	— 84,255,207	—39.53
March	18,209,342	268,329,877	—250,120,535	—93.21
April	58,604,019	247,086,865	—188,482,846	—76.28
May	40,351,952	275,114,375	—234,762,423	—85.33
June	95,083,268	278,455,168	—183,371,900	—65.85

Now, we shall turn to a geographical division of the total figures. From a percentage standpoint it may be noted the decreases for all the regions ranged from a low of 15.48% for the New England region to the largest decrease of 28.96% recorded by the Central Western region. In the net earnings category, all the regions showed much more substantial decreases than in gross. The smallest decrease in net earnings was compiled by the Pocahontas region of the Southern district. This decrease of 47.04% is in contrast with the largest percentage drop of 81.05% recorded by the Central Eastern region. These notes are better reflected in the tabulation which follows. The classification presented in this tabulation is in conformity with that of the Interstate Commerce Commission. The territories covered by the various districts and regions are explained in the footnote appended to the table:

SUMMARY BY GROUPS—MONTH OF JUNE

District and Region	Gross Earnings 1946 $	1945 $	Inc. (+) or Dec. (—) $	%
Eastern District—				
New England region (10 roads)	137,200,639	162,330,536	— 25,129,897	—15.48
Great Lakes region (23 roads)	572,452,683	714,386,301	— 141,933,618	—19.87
Central Eastern region (18 rds.)	684,400,033	906,306,169	— 221,906,136	—24.48
Total (51 roads)	1,394,053,355	1,783,023,006	— 388,969,651	—21.82
Southern District—				
Southern region (26 roads)	521,667,618	671,568,330	— 149,900,712	—22.32
Pocahontas region (4 roads)	171,135,111	220,160,544	— 49,025,433	—22.27
Total (30 roads)	692,802,729	891,728,874	— 198,926,145	—22.31
Western District—				
Northwestern region (16 roads)	379,041,323	465,621,208	— 86,579,885	—18.59
Central Western region (14 roads)	794,121,534	1,117,820,865	— 323,699,331	—28.96
Southwestern region (20 roads)	317,288,721	439,128,705	— 121,839,984	—27.75
Total (50 roads)	1,490,451,578	2,022,570,778	— 532,119,200	—26.31
Total, all districts (131 roads)	3,577,307,662	4,697,322,658	—1,120,014,996	—23,84

District and Region—	Mileage 1946	Mileage 1945	Net Earnings 1946 $	1945 $	Inc. (+) or Dec. (—) $	%
Eastern District—						
New England region	6,540	6,563	18,072,732	43,831,424	— 25,758,692	— 58.77
Great Lakes region	25,522	25,562	55,504,724	179,304,295	— 123,799,571	— 69.04
Cent. East'n region	23,881	23,882	44,353,731	234,108,211	— 189,754,480	— 81.05
Total	55,943	56,007	117,931,187	457,243,930	— 339,312,743	— 74.21
Southern District—						
Southern region	37,260	37,332	83,394,092	239,776,915	— 156,382,823	— 65.22
Pocahontas region	6,027	6,009	43,826,702	82,756,594	— 38,929,892	— 47.04
Total	43,287	43,331	127,220,794	322,533,509	— 195,312,715	— 60.56
Western District—						
Northwestern reg.	45,538	45,670	36,600,655	129,146,268	— 92,545,613	— 71.66
Cent. West. region	54,529	54,683	145,924,421	415,150,562	— 269,226,141	— 64.85
Southwestern reg.	28,473	28,602	64,305,261	178,724,361	— 114,419,100	— 64.02
Total	128,540	128,955	246,830,337	723,021,191	— 476,190,854	— 65.86
Total all dists.	227,770	228,293	491,982,318	1,502,798,630	—1,010,816,312	— 67.26

NOTE—Our grouping of the roads conforms to the classification of the Interstate Commerce Commission, and the following indicates the confines of the different groups and regions:

EASTERN DISTRICT

New England Region—Comprises the New England States.

Great Lakes Region—Comprises the section on the Canadian boundary between New England and the westerly shore of Lake Michigan to Chicago, and north of a line from Chicago via Pittsburgh to New York.

Central Eastern Region—Comprises the section south of the Great Lakes Region east of a line from Chicago through Peoria to St. Louis and the Mississippi River to the mouth of the Ohio River, and north of the Ohio River to Parkersburg, W. Va., and a line thence to the southwestern corner of Maryland and by the Potomac River to its mouth.

SOUTHERN DISTRICT

Southern Region—Comprises the section east of the Mississippi River and south of the Ohio River to a point near Kenova, W. Va., and a line thence following the eastern boundary of Kentucky and the southern boundary of Virginia to the Atlantic.

Pocahontas Region—Comprises the section north of the southern boundary of Virginia, east of Kentucky and the Ohio River north to Parkersburg, W. Va., and south of a line from Parkersburg to the southwestern corner of Maryland and thence by the Potomac River to its mouth.

WESTERN DISTRICT

Northwestern Region—Comprises the section adjoining Canada lying west of the Great Lakes Region, north of a line from Chicago to Omaha and thence to Portland, and by the Columbia River to the Pacific.

Central Western Region—Comprises the section south of the Northwestern Region west of a line from Chicago to Peoria and thence to St. Louis, and north of a line from St. Louis to Kansas City and thence to El Paso and by the Mexican boundary to the Pacific.

Southwestern Region—Comprises the section lying between the Mississippi River south of St. Louis and a line from St. Louis to Kansas City and thence to El Paso, and by the Rio Grande to the Gulf of Mexico.

Our final exhibit is the customary summary of the comparisons in gross and net earnings of the railroads of the country for the first six months of each calendar year from 1946 back to and including 1909:

GROSS EARNINGS

Jan. 1 to June 30—	Year Given	Year Preceding	Increase (+) or Decrease (—)	%
1909	$1,172,185,403	$1,051,853,195	+ $120,332,208	+11.44
1910	1,351,570,837	1,172,481,315	— 170,089,522	—15.27
1911	1,310,580,765	1,339,539,563	— 23,958,798	— 2.16
1912	1,365,355,859	1,309,006,353	+ 56,349,506	+ 4.30
1913	1,502,472,942	1,366,304,199	+ 136,168,743	+ 9.97
1914	1,401,010,280	1,486,043,706	— 85,033,426	— 5.72
1915	1,407,465,982	1,447,464,542	— 39,998,560	— 2.76
1916	1,731,460,912	1,403,448,334	+ 328,012,578	—23.37
1917	1,946,395,684	1,741,329,277	+ 205,066,407	+11.78
1918	2,071,337,977	1,889,489,295	+ 181,848,682	+ 9.62
1919	2,339,750,126	2,074,114,256	+ 265,635,870	+12.81
1920	2,684,672,507	2,326,657,150	+ 358,015,357	+15.39
1921	2,671,369,048	2,738,845,138	— 67,476,090	— 2.46
1922	2,602,347,511	2,665,747,212	— 63,399,701	— 2.38
1923	3,086,129,793	2,605,203,228	+ 480,926,565	+18.46
1924	2,865,947,474	3,091,934,815	— 225,987,341	— 7.31
1925	2,887,608,623	2,864,512,167	+ 23,096,456	+ 0.81
1926	3,022,413,801	2,890,965,666	+ 131,448,135	+ 4.55
1927	3,011,796,048	3,020,928,478	— 9,132,430	— 0.30
1928	2,901,379,728	3,018,008,234	— 116,628,506	— 3.86
1929	3,067,560,980	2,905,912,090	+ 151,648,890	+ 5.22
1930	2,737,397,195	3,062,220,645	— 324,823,450	—10.61
1931	2,184,221,360	2,688,007,639	— 503,786,279	—18.74
1932	1,599,138,566	2,183,918,659	— 584,780,093	—26.78
1933	1,430,226,871	1,599,191,879	— 168,965,008	—10.57
1934	1,627,736,490	1,413,361,745	+ 214,374,745	+15.17
1935	1,632,996,080	1,627,736,490	+ 5,259,590	+ 0.32
1936	1,870,196,058	1,632,939,310	+ 237,256,748	+14.53
1937	2,083,250,357	1,869,614,084	+ 213,636,273	+11.43
1938	1,633,218,256	2,082,853,003	— 449,634,747	—21.59
1939	1,800,532,143	1,632,876,801	+ 167,655,342	+10.27
1940	1,991,064,110	1,800,532,143	+ 190,531,967	+10.58
1941	2,420,002,097	1,991,775,776	+ 428,226,321	+21.50
1942	3,280,758,417	2,420,002,097	+ 860,756,320	+35.57
1943	4,346,663,733	3,280,758,417	+1,065,905,316	+32.49
1944	4,636,071,620	4,346,334,591	+ 289,737,029	+ 6.67
1945	4,699,870,508	4,636,071,620	+ 63,798,888	+ 1.38
1946	3,577,307,662	4,697,322,658	—1,120,014,996	—23.84

NET EARNINGS

Jan. 1 to June 30—	Year Given	Year Preceding	Increase (+) or Decrease (—)	%
1909	$371,591,341	$294,951,102	+$76,640,239	+25.98
1910	408,380,483	371,562,668	+ 36,817,815	+ 9.91
1911	378,852,053	404,569,430	— 25,717,377	— 6.36
1912	373,370,171	375,407,648	— 2,037,477	— 0.54
1913	400,242,544	373,442,875	+ 26,799,669	+ 7.18
1914	343,835,677	394,495,885	— 50,660,208	—12.84
1915	394,683,548	347,068,207	+ 47,615,341	+13.72
1916	559,376,894	393,225,507	+166,151,387	+42.25
1917	555,683,025	562,838,773	— 7,155,748	— 1.27
1918	265,705,922	540,911,505	—275,205,583	—50.88
1919	265,007,159	265,324,144	— 316,985	— 0.12
1920	195,582,649	263,029,233	— 67,446,584	—25.64
1921	310,890,365	169,082,335	+141,808,030	+83.87
1922	530,420,651	312,088,627	+218,332,024	+69.96
1923	649,131,565	531,566,924	+117,564,641	+22.12
1924	597,828,199	651,828,563	— 54,000,364	— 8.28
1925	656,663,561	597,855,833	+ 58,807,728	+ 9.84
1926	727,905,072	656,848,197	+ 71,056,875	+10.82
1927	711,888,565	727,923,568	— 16,035,003	— 2.20
1928	700,846,779	713,906,228	— 13,059,449	— 1.83
1929	817,500,221	702,553,020	+114,947,201	+16.36
1930	618,567,281	818,154,445	—199,587,164	—24.39
1931	471,189,438	618,597,371	—147,407,933	—23.83
1932	321,450,701	471,340,361	—149,889,660	—31.80
1933	352,131,926	321,452,887	+ 30,679,039	+ 9.54
1934	417,993,205	346,640,179	+ 71,353,026	+20.58
1935	376,399,748	417,993,205	— 41,593,457	9.95
1936	451,625,515	375,859,793	+ 75,765,722	+20.16
1937	528,201,763	451,648,720	+ 76,553,043	+16.95
1938	304,542,359	528,152,626	—223,610,267	—42.34
1939	403,103,791	304,569,136	+ 98,534,655	+32.35
1940	497,712,078	403,103,791	+ 94,608,287	+23.47
1941	745,400,656	498,179,057	+247,221,599	+49.62
1942	1,123,614,510	745,400,656	+378,213,854	+50.74
1943	1,716,118,241	1,123,614,510	+592,503,731	+52.73
1944	1,558,293,772	1,715,949,906	—157,656,134	— 9.20
1945	1,504,124,607	1,558,293,772	— 54,169,165	— 3.48
1946	491,982,318	1,502,798,630	—1,010,816,312	—67.26

Cotton Ginned from 1946 Crop Prior to Sept. 16

The Census report issued on Sept. 23, compiled from the individual returns of the ginners, shows as follows the number of bales of cotton ginned from the growth of 1946 prior to Sept. 16, 1946, and comparative statistics to the corresponding date in 1945 and 1944.

RUNNING BALES
(Counting round as half bales and excluding linters)

State—	1946	1945	1944
United States	*1,248,545	1,021,517	1,824,262
Alabama	88,841	144,106	185,248
Arizona	11,322	4,457	3,930
Arkansas	72,988	6,394	147,906
Florida	2,770	4,497	6,825
Georgia	141,349	115,760	188,371
Louisiana	91,973	95,295	178,090
Mississippi	149,853	115,968	294,664
Missouri	6,594	3	49,676
New Mexico	6,674	479	189
North Carolina	15,634	5,194	60,095
Oklahoma	3,663	1,247	23,182
South Carolina	145,130	82,884	188,358
Tennessee	1,384	85	39,583
Texas	509,790	445,144	456,841
All other States	80	4	1,304

*Includes 171,641 bales of the crop of 1946 ginned prior to Aug. 1 which was counted in the supply for the season of 1945-46, compared with 132,737 and 48,182 bales of the crops of 1945 and 1944.

The statistics in this report include 22 bales of American-Egyption for 1946, 20 for 1945, and 175 for 1944; also included are no bales of Sea-island for 1946 none for 1945, and none for 1944. The ginning of round bales has been discontinued since 1941.

The statistics for 1946 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Sept. 1 is 532,762 bales.

Cotton Report As of Aug. 1

A 9,290,000 bale cotton crop for the United States is forecast this year by the Crop Reporting Board of the Bureau of Agricultural Economics. The indicated production is 3.1% or 275,000 bales above the small 1945 crop, but is 3¼ million bales below the 10-year average. This forecast in 500 pound gross weight bales is based on information as of Aug. 1.

Prospective lint yield per acre, computed at 247.9 pounds compares with 251.0 pounds harvested in 1945 and the 10-year average of 243.2 pounds. If abandonment is equal to the 10-year average, the acreage for harvest this season would be around 17,991,000 acres. This is only 4.4% above last year's harvested acreage which was the smallest since 1885. Unfavorable weather during the 1946 planting season limited the acreage in many areas.

Generally favorable weather in June permitted chopping and much needed cultivating which had been delayed by a wet May. Stands, already generally below normal because of poor seed and wet soils, were further thinned in cleaning the fields of excess grass. The crop is later than usual especially in North Georgia, Alabama, Oklahoma and parts of Arkansas. In the latter two States there is a marked variation in plant development.

In Missouri, Arkansas, Tennessee and the Western irrigated States weather during July was favorable and the crop made good progress. In Texas and Oklahoma, July rain was very light and drought conditions were becoming serious toward the end of the month. In those States there was extensive shedding of early planted cotton and a checking of growth of late cotton. In Louisiana, and the States east of the Mississippi River, July rains were frequent and generally heavy. In Louisiana and Mississippi crop prospects were materially reduced.

Boll weevil damage is a serious threat in Central and Eastern parts of the Belt with reports on infestation mostly in excess of any year since 1941. Frequent showers prevented dusting in most of these areas and also favored heavy vegetative growth which increases the threat of weevil damages. In Eastern Texas and Oklahoma, weevils are numerous, but damage has been limited by dry weather.

No estimate of cottonseed production will be made until December. However, if the ratio of lint to cottonseed should be the same as the average for the past 5 years, production would be 3,781,000 tons. Production in 1945 was 3,634,000 tons as compared with the 10-year average of 5,240,000 tons.

The report from the Bureau of the Census shows 161,825 bales of cotton ginned from the crop of 1946 prior to Aug. 1, compared with 132,737 bales for 1945 and 48,182 bales for 1944.

Air Agreement Between U. S. and Lebanon

An air transport agreement between the United States and Lebanon was signed at Beirut on August 11, with Minister George Wadsworth signing on behalf of the U. S. Government, a State Department announcement of Aug. 13 said. The advices added:

"The agreement, which is substantially the same as that signed between the United States and Egypt on June 15, will permit Pan American Airways to make commercial traffic stops at Beirut on its certificated route between the United States and India."

Federal Reserve August Business Indexes

The Board of Governors of the Federal Reserve System issued on Sept. 27 its monthly indexes of industrial production, factory employment and payrolls, etc. The Board's customary summary of business conditions to Sept. 15 appeared in our Oct. 24 issue, page 2134. The indexes for July together with comparison for a month and a year ago follow:

BUSINESS INDEXES

1939 average = 100 for factory employment and payrolls;
1923-25 average = 100 for construction contracts;
1935-39 average = 100 for all other series

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	1946		1945	1946		1945
	Aug.	July	Aug.	Aug.	July	Aug.
Industrial production—						
Total	*176	172	186	*178	173	188
Manufactures—						
Total	*182	177	194	*184	178	196
Durable	*206	202	239	*208	203	240
Nondurable	*162	156	157	*165	157	159
Minerals	*143	146	140	*146	149	143
Construction contracts, value—						
Total	†	165	61	†	179	65
Residential	†	161	24	†	162	24
All other	†	168	91	†	193	99
Factory employment—						
Total	*143.4	140.3	147.6	*144.6	140.8	148.7
Durable goods	*165.1	160.7	187.5	*165.4	161.0	187.7
Nondurable goods	*126.4	124.3	116.1	*128.3	124.9	117.9
Factory payrolls—						
Total	---	---	---	†	260.5	267.3
Durable goods	---	---	---	†	286.2	335.4
Nondurable goods	---	---	---	†	235.3	200.6
Freight carloadings	141	139	128	145	143	132
Department store sales, value—	*289	273	200	*242	208	168
Department store stocks, value	†	222	182	†	222	169

*Preliminary. †Data not yet available.

Note—Production, carloading, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION
(1935-39 average = 100)

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	1946		1945	1946		1945
MANUFACTURES	Aug.	July	Aug.	Aug.	July	Aug.
Iron and steel	183	179	155	183	179	155
Pig iron	186	‡178	161	186	‡178	161
Steel	195	190	164	195	190	164
Open hearth	169	168	142	169	168	142
Electric	378	343	319	378	343	319
Machinery	*251	242	310	*251	242	310
Transportation equipment	*245	244	405	*245	244	405
Automobiles	*185	179	142	*185	179	142
Nonferrous metals and products	*146	*143	165	*146	*143	165
Smelting and refining	*137	131	171	*136	130	171
Lumber and products	*131	129	107	*139	137	113
Lumber	*121	121	98	*134	133	108
Furniture	*151	144	124	*151	144	124
Stone, clay and glass products	*193	193	160	*200	193	165
Plate glass	114	129	61	114	129	61
Cement	†	155	97	†	171	110
Clay products	*147	147	110	*152	147	113
Gypsum and plaster products	*183	183	162	*185	183	162
Abrasive and asbestos prod.	*244	234	260	*244	234	260
Textile and products	*159	143	134	*159	143	134
Cotton consumption	*149	127	123	149	127	123
Rayon deliveries	229	233	213	229	233	213
Wool textiles	†	142	127	†	142	127
Leather products	†	103	108	†	101	107
Tanning	†	99	98	†	93	97
Cattle hide leathers	†	117	112	†	110	109
Calf and kip leathers	†	66	75	†	66	79
Goat and kid leathers	†	45	47	†	45	46
Sheep and lamb leathers	†	122	130	†	114	134
Shoes	†	106	114	†	106	114
Manufactured food products	*147	150	138	*164	161	151
Wheat flour	†	*139	130	†	*137	128
Meatpacking	138	165	133	122	154	119
Other manufactured foods	*151	152	139	*172	160	154
Processed fruits and veg.	*150	173	101	*247	225	165
Tobacco products	†	140	150	†	145	155
Cigars	†	99	91	†	99	91
Cigarettes	†	181	195	†	190	204
Other tobacco products	†	72	98	†	72	95
Paper and products	*147	136	131	*147	136	131
Paperboard	169	155	141	169	155	141
Newsprint production	83	84	72	82	82	71
Printing and publishing	129	124	111	123	115	107
Newsprint consumption	123	121	96	111	104	87
Petroleum and coal products	†	†	*240	†	†	*240
Petroleum refining	---	---	---	---	---	---
Gasoline	*145	*141	155	*145	*141	155
Fuel oil	†	†	173	†	†	173
Lubricating oil	†	†	138	†	†	137
Kerosene	†	†	140	†	†	135
Coke	†	160	153	†	160	153
Byproduct	†	155	148	†	155	148
Beehive	*371	331	332	*371	331	332
Chemicals	*235	233	265	*231	229	261
Rayon	*259	255	222	*259	255	222
Industrial chemicals	*390	388	368	*390	388	368
Rubber	*217	211	193	*217	211	193
MINERALS						
Fuels	*150	153	146	*150	153	146
Bituminous coal	*156	159	144	*156	159	144
Anthracite	*120	128	102	*120	128	102
Crude petroleum	*151	*154	152	*151	*154	152
Metals	†	98	105	†	122	124
Iron ore	---	---	---	282	295	289

*Preliminary or estimated. †Data not yet available. ‡Revised.

FREIGHT CARLOADINGS
(1935-39 average = 100)

Coal	152	145	128	152	145	128
Coke	184	177	167	177	172	160
Grain	131	139	163	142	166	176
Livestock	118	166	115	113	135	109
Forest products	157	153	133	165	153	140
Ore	162	164	166	243	263	249
Miscellaneous	145	141	132	146	142	133
Merchandise, l.c.l.	77	78	64	77	78	65

NOTE—To convert coal and miscellaneous indexes to points in total index, shown in Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Market Value of Stocks on N. Y. S. E. in Sept.

The New York Stock Exchange announced on Oct. 5, that as of the close of business on Sept. 30, there were 1,315 stock issues aggregating 1,750,250,158 shares listed on the New York Stock Exchange, with a total market value of $66,863,605,035. This compares with the figures as of Aug. 30, of 1,309 issues aggregating 1,737,716,634 shares; total market value $74,350,238,520.

In making public the Oct. 5 announcement, the Exchange further said:

As of the close of business Sept. 30, New York Stock Exchange member total net borrowings amounted to $407,924,764 of which $251,041,662 represented loans which were not collateralized by U. S. Gov't issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 0.38%. As the loans not collateralized by U. S. Gov't issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	Sept. 30, 1946		Aug. 30, 1946	
	Market Value	Av. Price	Market Value	Av. Price
Group—	$	$	$	$
Amusement	990,179,963	24.60	1,149,328,559	28.59
Automobile	4,473,461,629	34.43	5,229,875,613	40.31
Aviation	904,997,714	17.85	1,052,043,184	20.75
Building	960,754,878	39.67	1,051,899,202	43.54
Business and Office Equipment	612,340,948	45.94	668,498,613	50.15
Chemical	8,475,562,267	65.92	9,205,055,405	72.66
Electrical Equipment	1,814,806,638	33.13	2,023,499,000	36.94
Farm Machinery	862,572,571	60.58	964,617,189	67.74
Financial	1,205,494,868	22.74	1,397,399,014	26.22
Food	4,579,594,488	42.66	5,080,888,619	47.33
Garment	73,825,255	31.87	86,183,462	37.21
Land & Realty	63,899,700	10.24	76,233,323	12.19
Leather	300,335,410	29.96	340,293,826	38.03
Machinery & Metals	2,456,623,876	30.17	2,819,351,681	34.79
Mining (excluding iron)	1,876,038,803	29.08	2,060,866,165	32.03
Paper & Publishing	935,852,236	29.69	1,050,289,615	34.10
Petroleum	7,780,079,744	36.90	8,479,723,967	40.21
Railroad	4,742,695,836	41.12	5,549,453,287	48.12
Retail Merchandising	4,760,340,750	39.61	5,131,093,018	42.94
Rubber	774,583,121	65.71	848,306,608	71.97
Ship Building	56,233,681	20.90	67,245,580	24.99
Ship Operating	105,621,152	24.26	125,433,014	28.81
Steel, Iron & Coke	3,000,335,963	53.30	3,435,049,302	61.00
Textiles	1,010,472,731	32.11	1,118,284,365	41.01
Tobacco	1,543,391,169	53.17	1,721,186,113	59.30
Transportation Services	26,253,007	15.22	32,356,740	18.76
Utilities:				
Gas & Electric (Operating)	3,308,620,016	32.66	3,492,920,996	35.65
Gas & Electric (Holding)	1,790,044,648	18.49	2,028,637,761	20.95
Communications	4,344,108,042	98.08	4,617,083,607	104.32
Miscellaneous Utilities	220,796,845	29.45	255,171,371	34.03
U. S. Cos. Operating Abroad	1,107,744,352	27.72	1,256,491,068	31.44
Foreign Companies	1,154,680,799	23,75	1,340,572,691	27.56
Miscellaneous Businesses	551,261,935	35.23	594,906,562	38.39
All Listed Stocks	66,863,605,035	38.20	74,350,238,520	42.79

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange.

	Market Value	Average Price		Market Value	Average Price
	$	$		$	$
1944—			1945—		
Sept. 30	52,929,771,152	35.75	Sept. 29	67,065,130,865	43.17
Oct. 31	53,086,843,093	35.84	Oct. 31	69,560,968,600	44.23
Nov. 30	53,591,644,063	36.14	Nov. 30	72,729,703,313	46.13
Dec. 30	55,511,963,741	37.20	Dec. 31	73,765,250,751	46.33
1945—			1946—		
Jan. 31	56,585,846,293	37.84	Jan. 31	78,467,733,341	48.61
Feb. 28	59,680,085,110	39.84	Feb. 28	74,164,879,781	45.79
Mar. 31	57,383,487,905	38.15	Mar. 30	77,932,414,601	47.88
Apr. 30	61,496,723,658	40.68	Apr. 30	80,943,361,516	49.22
May 31	62,430,603,026	40.64	May 31	84,043,436,932	50.44
June 30	62,636,685,716	40.68	June 28	80,929,333,989	47.99
July 31	61,242,460,874	39.65	July 31	79,132,265,907	46.04
Aug. 31	64,315,140,586	41.56	Aug. 30	74,350,238,520	42.79
			Sept. 30	66,863,605,035	38.20

Changes in Holdings of Reacquired Stock of N. Y. Stock & Curb Listed Firms

The New York Stock Exchange announced on Sept. 16 that the following companies have reported changes in the amount of stock held as heretofore reported by the Department of Stock List:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
Aldens, Inc., cum. pfd. 4¼% ser.	None	100
Atlas Corp., common	107,634	107,648
Borden Co. (The), capital	197,558	197,958
Canada Dry Ginger Ale., Inc., common	10,000	3,600
Cuban-American Sugar Co. (The), 7% cum. pfd.	5,764	5,774
International Minerals & Chemical Corp., common	20,039	19,339
Jewel Tea Co., Inc., common	1,516	1,454
Johnson & Johnson, common	23,345	23,317
Second preferred series A, 4%	1,067	1,066
Kinney Co., Inc. (G. R.), $5 prior pfd.	None	650
Lowenstein (M.) & Sons, Inc., 4¼% pfd.	None	650
Marine Midland Corp., capital	171,631	191,531
National Cylinder Gas Co., common	15,130	15,630
National Distillers Products Corp., common	26	30
Plymouth Oil Co., capital	8,484	11,184
Purity Bakeries Corp., common	10,940	10,590
Sheaffer (W. A.) Pen Co., common	2,604	2,561
Sinclair Oil Corp., common	954,158	954,161

The New York Curb Exchange made public on Sept. 20 the following changes in holdings of reacquired stock as reported to it by issuers of fully listed securities traded on that exchange:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
Crown Central Petroleum Corp., common	631	632
Dennison Manufacturing Co., A common	9,521	9,395
Equity Corp., $3 conv. preferred	79,220	80,220
Esquire, Inc., capital	52,663	49,163
Grocery Store Products Co., capital	79	81
Hussmann-Ligonier Co., $2.25 pfd	275	500
Hygrade Food Products Corp., common	43,070	44,372
International Utilities Corp., common	1,000	None
King-Seeley Corp., common	782	2,182
Merritt-Chapman & Scott Corp., A pfd.	1,245	1,675
Morris Plan Corp. of America, common	159	161
New York Merchandise Co., Inc., common	134,431	134,881
Niagara Share Corp., B common	256,168	256,368
Russeks Fifth Avenue, Inc., common	12,948	None

Popularity of 5c Air Mail

Postmaster Albert Goldman announced on Oct. 25 that the nickel air mail is fast becoming the nation's mailing habit, according to figures received at the Post Office Department from Air Mail Field offices throughout the country. Based on reports from 30 of these offices, which handle 75% of the air mail business, 91,638,840 pieces of mail were handled during the first 15 days of October under the new 5-cent rate, as against 72,454,680 the first half of September, a jump of 19,184,160 or an average increase of 26.48%. Commenting on the rise in air mail business, which he believes will continue, Postmaster General Robert E. Hannegan said:

"From Oct. 27 to Nov. 2 we are celebrating Air Mail Week to bring to the attention of the American people the advantages of air transport. The President of the United States has added to the significance of this event by proclaiming this period as National Air Mail Week.

"The response to 5-cent air mail has been most encouraging and I am sure that in the days ahead we can look forward to an unprecedented growth in this vital and dynamic field of mail transportation."

Ceremonies incident to the reduction in the air-mail postage rate to five cents an ounce in all territories of the United States and to members of the armed forces abroad, were marked on Sept. 25 in Washington, when a new five-cent air-mail postage stamp and an embossed air-mail stamped envelope in five-cent denomination, were placed on exclusive first-day sale at Washington, D. C., post office. A novel "flying mail car" winging over the nation's original coast-to-coast airway, heralded the arrival of nickel air mail on Oct. 1.

Holderness to Retire From St. Louis Bank—Joins Local Aviation Council

Marvin E. Holderness, who will retire Jan. 1, 1947, as Vice-President of the First National Bank in St. Louis, will become associated with the Aviation Council of Metropolitan St. Louis, Inc., as Executive Manager in October, according to a joint announcement made on Sept. 10 by Walter W. Smith, President of the First National Bank, and George B. Logan, President of the Aviation Council. Mr. Smith stated that the bank is contributing the services of Mr. Holderness for his unexpired term as "evidence of the Bank's interest in developing aviation as a great industry in the St. Louis area," and of the bank's "desire to see the St. Louis area take its rightful place as the air center of America." Mr. Holderness, who is Treasurer and Chairman of the Finance Committee of the Municipal Opera Association, has a long record of aviation interests, including service on the Airport Commission appointed by the late Mayor Henry W. Kiel for the construction of Lambert-St. Louis Airport. Mr. Holderness entered the banking business as an Assistant Cashier of the First Savings Bank and Trust Co. of Nashville. In 1914 he became Vice-President of the Third National Bank of St. Louis and continued as Vice-President of the First National Bank when that institution was founded in 1919 through merger of two other banks with the Third National. Mr. Holderness has served as President of the Missouri Bankers Association and has held numerous other offices in that association and in the American Bankers Association. He was a founder of the Financial Advertisers Association of America, which he has also served as President.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 5	Stock Exchange Closed								
4	122.20	116.61	121.04	119.20	116.22	110.34	112.37	117.60	120.02
2	122.14	116.61	121.04	119.20	116.22	110.15	112.19	117.60	120.02
1	122.14	116.41	121.04	119.20	116.02	110.15	112.19	117.60	119.82
Oct. 31	122.02	116.41	121.04	119.20	116.02	110.15	112.00	117.60	119.82
30	121.92	116.41	121.04	119.20	116.02	109.97	112.00	117.60	119.82
29	121.83	116.41	121.04	119.20	116.02	106.97	112.00	117.60	119.82
28	121.83	116.41	121.04	119.20	116.02	110.15	112.00	117.60	120.02
26	121.77	116.41	121.04	119.20	116.02	110.15	112.00	117.60	120.02
25	121.77	116.61	121.04	119.20	116.22	110.34	112.19	117.60	120.02
24	121.55	116.61	121.04	119.20	116.22	110.52	112.19	117.80	120.02
23	121.36	116.61	121.04	119.20	116.22	110.52	112.37	117.80	120.02
22	121.36	116.61	121.04	119.20	116.22	110.34	112.19	117.80	120.02
21	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
19	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
18	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
17	121.45	116.61	121.04	119.20	116.22	110.34	112.37	117.80	119.82
16	121.30	116.61	121.04	119.20	116.41	110.34	112.37	117.60	119.82
15	121.20	116.61	121.04	119.00	116.41	110.34	112.37	117.60	119.82
14	121.11	116.61	120.84	119.20	116.41	110.15	112.19	117.60	119.82
12	Stock Exchange Closed								
11	121.08	116.41	120.84	119.00	116.22	110.15	112.19	117.60	119.82
10	121.05	116.41	120.84	118.80	116.41	110.34	112.00	117.60	119.82
9	121.05	116.61	121.25	118.80	116.61	110.34	112.37	117.80	119.82
8	121.08	116.80	121.25	118.80	116.61	110.34	112.37	117.80	119.82
7	121.02	116.80	121.25	119.00	116.61	110.34	112.37	117.80	120.02
5	121.02	116.80	121.25	119.00	116.61	110.52	112.56	117.80	120.02
4	121.05	116.61	121.25	119.00	116.61	110.34	112.56	117.80	119.82
3	120.77	116.80	121.25	119.00	116.61	110.52	112.37	118.00	120.02
2	120.70	116.61	121.25	119.00	116.61	110.34	112.37	118.00	119.82
1	120.83	116.61	121.25	119.00	116.61	110.34	112.37	117.80	119.82
Sept. 27	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
20	121.14	116.61	121.04	119.00	116.61	110.52	112.75	117.80	119.61
13	121.80	117.20	121.46	119.41	117.00	111.44	113.89	118.00	120.22
6	122.52	118.00	122.29	120.02	117.80	112.19	114.46	118.60	120.84
Aug. 30	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
23	123.30	118.40	122.92	120.84	118.20	112.37	115.04	119.00	121.46
16	123.49	118.40	122.92	120.63	118.20	112.37	115.24	119.00	121.25
9	123.49	118.60	123.13	120.84	118.20	112.56	115.24	119.00	121.46
2	123.45	118.60	123.13	120.84	118.20	112.56	115.43	119.00	121.25
July 26	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
19	123.83	118.80	123.34	121.25	118.40	112.37	115.63	119.20	121.46
12	124.14	118.80	123.56	121.25	118.60	112.56	116.02	119.20	121.46
5	124.24	118.80	123.34	121.25	118.60	112.37	115.82	119.20	121.46
June 28	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
May 31	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
Mar. 29	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	120.70	116.41	120.84	118.80	116.02	109.97	112.00	117.60	119.61
1 year Ago Nov. 5, 1945	123.17	116.61	120.63	119.41	116.61	109.97	113.12	116.61	120.02
2 Years Ago Nov. 4, 1944	119.55	112.75	118.40	116.80	112.93	103.47	107.62	113.31	117.20

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 5	Stock Exchange Closed								
4	1.56	2.82	2.60	2.69	2.84	3.15	3.04	2.77	2.65
2	1.57	2.82	2.60	2.69	2.84	3.16	3.05	2.77	2.65
1	1.57	2.83	2.60	2.69	2.85	3.16	3.05	2.77	2.66
Oct. 31	1.58	2.83	2.60	2.69	2.85	3.16	3.06	2.77	2.66
30	1.59	2.83	2.60	2.69	2.85	3.17	3.06	2.77	2.66
29	1.59	2.83	2.60	2.69	2.85	3.17	3.06	2.77	2.66
28	1.59	2.83	2.60	2.69	2.85	3.16	3.06	2.77	2.65
26	1.60	2.83	2.60	2.69	2.85	3.16	3.06	2.77	2.65
25	1.60	2.82	2.60	2.69	2.84	3.15	3.05	2.77	2.65
24	1.62	2.82	2.60	2.69	2.84	3.14	3.05	2.76	2.65
23	1.63	2.82	2.60	2.69	2.84	3.14	3.04	2.76	2.65
22	1.63	2.82	2.60	2.69	2.84	3.15	3.05	2.76	2.65
21	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
19	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
18	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
17	1.62	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.66
16	1.63	2.82	2.60	2.69	2.83	3.15	3.04	2.77	2.66
15	1.64	2.82	2.60	2.70	2.83	3.15	3.04	2.77	2.66
14	1.65	2.82	2.61	2.69	2.83	3.16	3.05	2.77	2.66
12	Stock Exchange Closed								
11	1.65	2.83	2.61	2.70	2.84	3.16	3.05	2.77	2.66
10	1.65	2.83	2.61	2.71	2.83	3.15	3.06	2.77	2.66
9	1.65	2.82	2.59	2.71	2.82	3.15	3.04	2.76	2.66
8	1.65	2.82	2.59	2.71	2.82	3.15	3.04	2.76	2.66
7	1.65	2.82	2.59	2.70	2.82	3.15	3.04	2.76	2.65
5	1.65	2.81	2.59	2.70	2.82	3.14	3.03	2.76	2.65
4	1.65	2.82	2.59	2.70	2.82	3.15	3.03	2.76	2.66
3	1.67	2.81	2.59	2.70	2.82	3.14	3.04	2.75	2.65
2	1.68	2.82	2.59	2.70	2.82	3.15	3.04	2.75	2.66
1	1.67	2.82	2.59	2.70	2.82	3.15	3.04	2.76	2.66
Sept. 27	1.65	2.82	2.60	2.70	2.82	3.16	3.04	2.76	2.66
20	1.65	2.82	2.60	2.70	2.82	3.14	3.02	2.76	2.67
13	1.63	2.79	2.58	2.68	2.80	3.09	2.96	2.75	2.64
6	1.58	2.75	2.54	2.65	2.76	3.05	2.93	2.72	2.61
Aug. 30	1.55	2.73	2.52	2.63	2.75	3.04	2.91	2.71	2.59
23	1.52	2.73	2.51	2.61	2.74	3.04	2.90	2.70	2.58
16	1.51	2.73	2.51	2.62	2.74	3.04	2.89	2.70	2.59
9	1.51	2.72	2.50	2.61	2.74	3.03	2.89	2.70	2.58
2	1.51	2.72	2.50	2.61	2.74	3.03	2.88	2.70	2.59
July 26	1.49	2.73	2.50	2.60	2.73	3.03	2.87	2.69	2.58
19	1.49	2.71	2.49	2.59	2.73	3.04	2.87	2.69	2.58
12	1.47	2.71	2.48	2.59	2.72	3.03	2.85	2.69	2.58
5	1.46	2.71	2.49	2.59	2.72	3.04	2.86	2.69	2.58
June 28	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
May 31	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
Apr. 26	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
Mar. 29	1.36	2.66	2.46	2.54	268	2.94	2.78	2.64	2.55
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2.87	2.68	2.55
High 1946	1.68	2.83	2.61	2.71	2.85	3.17	3.06	2.77	2.67
Low 1946	1.31	2.65	2.45	2.53	2.67	2.93	2.77	2.63	2.53
1 year Ago Nov. 5, 1945	1.54	2.82	2.62	2.68	2.82	3.17	3.00	2.82	2.65
2 Years Ago Nov. 4, 1944	1.87	3.02	2.73	2.81	3.01	3.54	3.30	2.99	2.70

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

Weekly Coal and Coke Production Statistics

The total production of soft coal showed little change in the week ended Oct. 26, 1946, and, according to estimates by the United States Bureau of Mines, amounted to 12,465,000 net tons, as compared with 12,510,000 tons in the preceding week and 12,215,000 tons in the week ended Oct. 27, 1945. During the calendar through Oct. 26, 1946, the cumulative output of soft coal was approximately 438,876,000 net tons, a decrease of 7% when compared with the 471,788,000 tons mined in the comparable period of 1945 through Oct. 27.

Production of Pennsylvania anthracite for the week ended Oct. 26, 1946, as estimated by the Bureau of Mines was 1,296,000 tons, an increase of 93,000 tons (7.7%) over the preceding week. When compared with the output in the corresponding week of 1945 there was an increase of 38,000 tons, or 3.0%. The calendar year to date shows an increase of 8.7% when compared with the corresponding period of 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Oct. 26, 1946, showed a decrease of 2,100 tons when compared with the output for the week ended Oct. 19, 1946; but it was 51,200 tons more than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

Bituminous coal and lignite—	Week Ended Oct. 26, 1946	Oct. 19, 1946	Oct. 27, 1945	Jan. 1 to Date *Oct. 26, 1946	Oct. 27, 1945
Total, including mine fuel	12,465,000	12,510,000	12,215,000	438,876,000	471,788,000
Daily average	2,078,000	2,085,000	2,036,000	1,751,000	1,866,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

Penn Anthracite—	Week Ended ‡Oct. 26, 1946	§Oct. 19, 1946	Oct. 27, 1945	Calendar Year to Date Oct. 26, 1946	Oct. 27, 1945	Oct. 30, 1937
*Total incl. coll. fuel	1,296,000	1,203,000	1,258,000	49,933,000	45,938,000	42,658,000
†Commercial produc.	1,246,000	1,157,000	1,210,000	48,008,000	44,169,000	40,525,000
Beehive Coke—						
United States total	112,500	114,600	63,400	3,461,300	4,460,000	2,857,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended Oct. 19, 1946	Oct. 12, 1946	Oct. 20, 1945
Alabama	358,000	375,000	400,000
Alaska	7,000	7,000	7,000
Arkansas	35,000	39,000	38,000
Colorado	151,000	150,000	170,000
Georgia and North Carolina	*	1,000	1,000
Illinois	1,428,000	1,378,000	1,478,000
Indiana	597,000	575,000	105,000
Iowa	27,000	26,000	34,000
Kansas and Missouri	114,000	116,000	135,000
Kentucky—Eastern	1,174,000	1,168,000	124,000
Kentucky—Western	392,000	404,000	438,000
Maryland	38,000	30,000	33,000
Michigan	1,000	1,000	2,000
Montana (bituminous and lignite)	82,000	99,000	66,000
New Mexico	25,000	30,000	28,000
North and South Dakota (lignite)	84,000	69,000	62,000
Ohio	823,000	829,000	272,000
Oklahoma	67,000	60,000	66,000
Pennsylvania (bituminous)	2,968,000	2,975,000	1,085,000
Tennessee	137,000	134,000	28,000
Texas (bituminous and lignite)	1,000	1,000	2,000
Utah	135,000	163,000	115,000
Virginia	377,000	390,000	255,000
Washington	19,000	21,000	27,000
†West Virginia—Southern	2,318,000	2,176,000	255,000
‡West Virginia—Northern	958,000	852,000	510,000
Wyoming	194,000	181,000	211,000
§Other Western States	*	*	*
Total bituminous and lignite	12,510,000	12,250,000	5,947,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Stocks and Consumption of Bituminous Coal

Stocks of bituminous coal in consumers' hands on Oct. 1 were estimated at 52,367,000 tons, which was an increase of 9.1% over those of one month before, Dan H. Wheeler, Deputy Solid Fuels Administrator announced on Nov. 1. Stocks on Oct. 1 were, however, 10.5% below those on April 1, before the strike in the soft coal mines, when they were estimated at 58,531,000 tons. On Oct. 1, 1945, stocks of soft coal totaled 53,350,000 tons.

At the end of September the average days' supply was approximately 37, as against 36 days' supply on Sept. 1. Electric power utilities had on Oct. 1 an average of 70 days' supply, which was an increase of 2.9% increase over the days' supply on Sept. 1. Average days' supply of by-product coke ovens increased 9.5% during the month of September; that of steel and rolling mills increased 2.9%; of cement mills, 17.1%; of other industrial plants, 1.8%, and of Class I railroads, 7.1%. Retail dealers had an average of 12 days' supply on Oct. 1, a decrease of 14.3% below that of September 1.

Consumption of soft coal during the month of September was estimated at 42,424,000 tons, which was 2.1% greater than the August burn of 41,565,000 tons. There was an increase in retail dealer deliveries of 10.2% in September over those of August.

Truman Thanks Jackson For Nuernberg Role

President Truman on Oct. 17 accepted the resignation of Associate Justice Robert H. Jackson as chief United States counsel of the International Military Tribunal in a letter in which he expressed "my heartfelt thanks and the thanks of the nation for the great service which you have rendered." Saying that he had studied the report submitted by Mr. Jackson on Oct. 7 concerning the prosecution of major Nazi war criminals at Nuernberg, the President said, according to Associated Press advices from Washington, as given in the New York "Sun": "No litigation approaching this, the first international criminal assize in history, ever was attempted.

"For my own part I have no hesitancy in declaring that the historic precedent set at Nuernberg abundantly justifies the expenditure of effort, prodigious though it was. The precedent becomes basic in the international law of the future. The principles established and the results achieved place international law on the side of peace as against aggressive warfare.

"I am convinced that the verdict for which you worked will receive the accolade of civilized people everywhere and will stand in history as a beacon to warn international brigands of the fate that awaits them.

"Although your own part in the dispensing of international justice is at an end, there remains, as you emphasize, the task of meting out justice to the German militarists, industrialists, politicians, diplomatists and police officials whose guilt does not differ from the guilt of the criminals who have already been dealt with except that these remaining malefactors played their miserable roles at lower levels. I note what you say concerning the method through which these remaining criminals are to be brought to justice. The recommendations which you make in this regard, coming as they do out of your experience at Nuernberg, will be given careful consideration."

Sept. Gas Sales 11.8% Higher Than a Year Ago

Sales of the gas utility industry to ultimate consumers in September totalled 1,948,132,000 therms, an increase of 11.8% over sales of 1,743,276,000 therms in the comparable month last year, the American Gas Association reported on Nov. 1. The Association's index of total gas utility sales stood at 179.4% of the 1935-1939 average. For the 12 months ending Sept. 30, 1946, sales of utility gas were about 25,905,475,000 therms, a decline of 0.9% under sales of 26,147,181,000 therms a year earlier.

Manufactured gas sales during September were 150,552,000 therms, a gain of 13.1% over sales of 133,134,000 therms in September, 1945. Sales in the 12 months ended Sept. 30, 1946 amounted to 2,112,273,000 therms, an increase of 1.5% over 2,080,827,000 therms sold in the preceding 12-month period. The Association's index of manufactured gas sales stood at 141.3% of the 1935-1939 average.

Sales of mixed gas in September, 1946 were 78,589,000 therms, a gain of 25.5% over sales of 62,629,000 therms in the same month last year. Mixed gas sales during the 12 months ending Sept. 30, 1946 were 1,218,732,000 therms, compared with 1,171,694,000 therms, an increase of 4.0%. The September, 1946 index of mixed gas sales stood at 173.1% of the 1935-1939 average.

Sales of natural gas to ultimate consumers for September totaled 1,718,991,000 therms, representing a gain of 11.1% over sales of 1,547,513,000 therms in the same month last year. For the 12 months ended Sept. 30, 1946 sales of natural gas were 22,574,470,000 therms, equivalent to a loss of 1.4% from sales of 22,894,660,000 therms in the like month a year earlier. The Association's index of September natural gas sales stood at 184.1% of the 1935-1939 average.

A therm is a unit of measurement of gas supply which takes into account variation in heating value. One therm is approximately equivalent to 190 cubic feet of manufactured gas, 120 cubic feet of mixed gas, or 95 cubic feet of natural gas.

Moody's Daily Commodity Index

Tuesday, Oct. 29, 1946	348.2
Wednesday, Oct. 30	342.2
Thursday, Oct. 31	352.8
Friday, Nov. 1	358.6
Saturday, Nov. 2	356.4
Monday, Nov. 4	357.5
Tuesday, Nov. 5	*
Two weeks ago, Oct. 22	353.5
Month ago, Oct. 5	339.5
Year ago, Nov. 5, 1945	262.8
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Oct. 15	371.6
Low, Jan. 2	264.7

*Holiday

Daily Average Crude Oil Production for Week Ended Oct. 26, 1946, Decreased 2,800 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Oct. 26, 1946, was 4,729,800 barrels, a decrease of 2,800 barrels per day from the preceding week. It was, however, an increase of 456,800 barrels per day over the 4,273,000 barrels produced daily during the week ended Oct. 27, 1945. The daily average figure, as estimated by the United States Bureau of Mines as the requirement for the month of October, 1946 was 4,771,000 barrels. Daily production for the four weeks ended Oct. 26, 1946, averaged 4,734,104 barrels. The Institute's statement further adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,758,000 barrels of crude oil daily and produced 14,863,000 barrels of gasoline; 2,055,000 barrels of kerosene; 5,710,000 barrels of distillate fuel, and 7,728,000 barrels of residual fuel oil during the week ended Oct. 26, 1946; and had in storage at the end of the week 86,423,000 barrels of finished and unfinished gasoline; 21,607,000 barrels of kerosene; 65,499,000 barrels of distillate fuel, and 60,872,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements October	State Allowables Begin. Oct. 1	Actual Production Week Ended Oct. 26, 1946	Change from Previous Week	4 Weeks Ended Oct. 26, 1946	Week Ended Oct. 27, 1945
**New York-Penna.	48,200		50,600	— 200	51,350	46,700
Florida	----		----	----	4	150
**West Virginia	8,400		8,100	— 550	8,200	8,150
**Ohio—Southeast }	7,600		5,650	+ 150	5,700	4,700
Ohio—Other }			2,450	— 50	2,400	3,300
Indiana	19,000		18,600	— 150	18,750	13,850
Illinois	214,000		204,250	— 300	206,050	211,650
Kentucky	30,000		30,050	— 250	30,400	29,900
Michigan	47,000		45,900	+ 400	47,100	44,250
Nebraska	800		†750	----	750	800
Kansas	264,000	270,000	†280,350	+ 13,300	271,500	264,950
Oklahoma	384,000	353,625	†355,850	+ 2,200	354,400	367,500
Texas—						
District I			19,450	----	19,450	----
District II			144,800	----	145,200	----
District III			449,300	----	450,950	----
District IV			214,300	----	214,900	----
District V			39,800	----	39,900	----
East Texas			316,000	----	317,100	----
Other Dist. VI			102,450	----	102,600	----
District VII-B			33,500	----	33,400	----
District VII-C			27,450	----	27,400	----
District VIII			484,650	----	485,400	----
District IX			129,700	----	129,600	----
District X			84,950	----	84,950	----
Total Texas	2,120,000	‡2,064,032	2,046,350	----	2,050,850	1,711,700
North Louisiana			88,350	— 850	88,950	68,000
Coastal Louisiana			305,600	----	305,600	285,000
Total Louisiana	383,000	436,000	393,950	— 850	394,550	353,000
Arkansas	77,000	80,284	73,200	— 150	73,500	75,250
Mississippi	60,000		75,950	— 300	75,050	52,450
Alabama	2,000		1,050	----	1,000	100
New Mex.-So. East }	100,000	106,000	99,100	----	99,100	99,500
New Mexico—Other }			450	----	450	400
Wyoming	100,000		109,400	— 1,200	108,850	101,900
Montana	24,000		24,150	— 700	24,250	20,300
Colorado	32,000		38,550	+ 950	37,900	19,100
California	850,000	§842,500	865,100	—15,100	872,000	843,400
Total United States	4,771,000		4,729,800	— 2,800	4,734,104	4,273,000
**Pennsylvania Grade (included above)			64,350	— 600	65,250	59,550

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of October. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Oct. 24, 1946.

‡This is the net basic allowable as of Oct. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 7 to 10 days, the entire State was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED OCT. 26, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Product'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	713	85.0	1,982	20,175	9,335	24,239	12,458
Appalachian—								
District No. 1	76.3	95	66.4	301	2,379	517	632	362
District No. 2	84.7	52	83.9	190	755	72	133	257
Ind., Ill., Ky.	87.4	824	94.7	2,907	15,060	2,811	8,877	5,681
Okla., Kans., Mo.	78.3	361	77.0	1,404	8,702	1,325	3,411	1,296
Inland Texas	59.8	231	70.0	894	2,875	476	640	726
Texas Gulf Coast	89.2	1,171	95.5	3,270	13,256	3,875	10,585	8,027
Louisiana Gulf Coast	97.4	361	112.5	1,118	4,778	1,855	3,740	2,280
No. La. & Arkansas	55.9	60	47.6	163	1,684	347	470	218
Rocky Mountain—								
District No. 3	19.0	9	69.2	23	83	15	41	40
District No. 4	70.9	123	74.5	322	1,344	209	546	678
California	85.5	758	76.3	2,289	15,332	770	12,185	28,849
Total U. S. B. of M. basis Oct. 26, 1946	85.8	4,758	85.6	14,863	*86,423	21,607	65,499	60,872
Total U. S. B. of M. basis Oct. 19, 1946	85.8	4,779	86.0	14,874	85,930	21,207	64,761	60,512
U. S. B. of M. basis Oct. 27, 1945		4,791		15,347	†74,514	13,192	44,827	46,547

*Includes unfinished gasoline stock of 8,657,000 barrels. †Includes unfinished gasoline stocks of 8,045,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition there were produced 2,055,000 barrels of kerosine, 5,710,000 barrels of gas oil and distillate fuel oil and 7,728,000 barrels of residual fuel oil in the week ended Oct. 26, 1946, which compares with 1,890,000 barrels, 5,666,000 barrels and 7,509,000 barrels, respectively, in the preceding week and 1,723,000 barrels, 4,919,000 barrels and 8,982,000 barrels, respectively, in the week ended Oct. 27, 1945.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Oct. 30 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Oct. 12, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Oct. 12 (in round-lot transactions) totaled 2,695,231 shares, which amount was 15.54% of the total transactions on the Exchange of 8,676,030 shares. This compares with member trading during the week ended Oct. 5 of 1,754,920 shares, or 15.79% of the total trading of 5,556,880 shares.

On the New York Curb Exchange, member trading during the week ended Oct. 12 amounted to 584,390 shares or 14.44% of the total volume on that Exchange of 2,024,035 shares. During the week ended Oct. 5 trading for the account of Curb members of 421,630 shares was 15.42% of the total trading of 1,367,295 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 12, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	352,590	
‡Other sales	8,323,440	
Total sales	8,676,030	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	894,220	
Short sales	176,180	
‡Other sales	732,550	
Total sales	908,730	10.39
2. Other transactions initiated on the floor—		
Total purchases	140,810	
Short sales	27,100	
‡Other sales	145,630	
Total sales	172,730	1.81
3. Other transactions initiated off the floor—		
Total purchases	252,795	
Short sales	34,430	
‡Other sales	291,516	
Total sales	325,946	3.34
4. Total—		
Total purchases	1,287,825	
Short sales	237,710	
‡Other sales	1,169,696	
Total sales	1,407,406	15.54

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 12, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	21,965	
‡Other sales	2,002,070	
Total sales	2,024,035	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	215,960	
Short sales	6,555	
‡Other sales	194,140	
Total sales	200,695	10.29
2. Other transactions initiated on the floor—		
Total purchases	20,460	
Short sales	2,300	
‡Other sales	22,500	
Total sales	24,800	1.12
3. Other transactions initiated off the floor—		
Total purchases	78,610	
Short sales	1,100	
‡Other sales	42,765	
Total sales	43,865	3.03
4. Total—		
Total purchases	315,030	
Short sales	9,955	
‡Other sales	259,405	
Total sales	269,360	14.44
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	88,364	
Total purchases	88,364	
Total sales	92,224	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of Sept. 30, 1946, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve system) was $28,506,662,707, as against $28,447,643,163 on Aug. 31, 1946, and $27,825,550,737 on Sept. 30, 1945, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914 the total was $3,459,434,174.

New TVA Head Named

The new Chairman of the Tennessee Valley Authority, who will replace David E. Lilienthal, newly appointed Atomic Energy Commission Chairman, is to be Gordon R. Clapp, formerly TVA General Manager. Mr. Clapp, according to a Washington dispatch of Oct. 28 to the New York "Times," was credited by the President with a large share of the TVA success, and added that "his appointment and service mean a continuation of the superior performance in the public service that has characterized TVA in the past." For the post of General Manager of TVA, to be vacated by Mr. Clapp, the President has named George F. Gant, who has been director of personnel for TVA.

Lend-Lease Report of Total Supplied by U. S.

Figures released by the office of the Lend-Lease Administrator, Chester T. Lane, on Oct. 17, gave a tabulation by nations of the wartime supplies shipped by the United States under the Lend-Lease program, which made a total expenditure up to V-J Day of $49,096,125,000, according to a special dispatch from Washington to the New York "Times." The Soviet Union, which has recently been asked by this government to send a mission here to settle her Lend-Lease account, led in aircraft with a total of 14,505 two-engine and one-engine bombers, pursuit planes and transports. She also far outstripped all other Allies in the number of motor vehicles received, the total being 478,899, or more than half of all vehicles shipped to Allies.

Great Britain was second in aircraft, the "Times" report continued, with 10,658 of all types, including 851 four-engined bombers of which Russia had not received any since she did not engage in strategic bombing. In motor vehicles Britain received a total of 94,912, with 117,300 for India. The "Times" advices continued:

Great Britain headed the list in ordnance and ammunition, having received a total of $1,953,291,000 worth. Russia was second with $814,472,000. Other large recipients were China, $22,972,000; India, $258,653,000; Australia, $114,519,000, and Egypt, $358,265,000.

The United Kingdom was also first in tanks furnished, the total being 12,755, of which 10,412 were mediums. Russia received 7,537, of which 5,797 were mediums. India received 2,201; Egypt, 4,052; French Africa, 1,791; Italy, 2,027; Latin America, 803.

Other aircraft shipment figures showed 1,168 for China; 4,364 for India; 2,741 for Australia; 3,493 for Egypt; 1,266 for South Africa; 2,070 for Canada; and 2,131 for Latin America. In motor vehicles China received 13,597; Egypt, 43,704; Australia, 57,183.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Oct. 30 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended Oct. 19, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Oct. 19, 1946

	Total Per Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	40,473
Number of shares	1,198,755
Dollar value	$44,140,774
Odd-lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	424
*Customers' other sales	26,051
Customers' total sales	26,475
Number of Shares:	
Customers' short sales	16,636
*Customers' other sales	795,903
Customers' total sales	812,539
Dollar value	$31,046,222
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	154,940
Total sales	154,940
Round-Lot Purchases by Dealers—	
Number of shares	547,570

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Civil Engineering Construction Totals $109,385,000 for Week

Civil engineering construction volume in continental United States totals $109,385,000 for the week ending Oct. 31, 1946, as reported by "Engineering News-Record." This volume is 98% above the previous week, 25% above the corresponding week of last year, and 15% above the previous four-week moving average. The report issued on Oct. 31, went on to say:

Private construction this week, $75,090,000, is 151% above last week and 11% above the week last year. Public construction, $34,295,000, is 35% above last week and 68% greater than the week last year. State and municipal construction, $30,530,000, 27% above last week, is 200% above the 1945 week. Federal construction, $3,765,000, is 203% above last week and 63% below the week last year.

Total engineering construction for the 44-week period of 1946 records a cumulative total of $4,571,618,000, which is 151% above the total for a like period of 1945. On a cumulative basis, private construction in 1946 totals $2,776,636,000, which is 244% above that for 1945. Public construction, $1,794,982,000 is 77% greater than the cumulative total for the corresponding period of 1945, whereas State and municipal construction, $1,236,654,000 to date, is 297% above 1945. Federal construction, $558,328,000, dropped 21% below the 44-week total of 1945.

Civil engineering construction volume for the current week, last week and the 1945 week are:

	Oct. 31, 1946	Oct. 24, 1946	Nov. 1, 1945
Total U. S. Construction	$109,385,000	$55,203,000	$87,798,000
Private Construction	75,090,000	29,871,000	67,439,000
Public Construction	34,295,000	25,332,000	20,359,000
State and Municipal	30,530,000	24,090,000	10,192,000
Federal	3,765,000	1,242,000	10,167,000

In the classified construction groups, waterworks, sewerage, earthwork and drainage, bridges, highways, industrial buildings, commercial buildings, public buildings, and unclassified construction gained this week over the previous week. Five of the nine classes recorded gains this week over the 1945 week as follows: sewerage, bridges, highways, industrial buildings, and earthwork and drainage.

New Capital

New capital for construction purposes this week totals $17,318,000, and is made up of $17,018,000 in State and municipal bond sales and $300,000 in corporate securities. New capital for construction purposes for the 44-week period of 1946 totals $2,954,108,000, 72% more than the $1,718,931,000 reported for the corresponding period of 1945.

Commercial Paper Outstanding on Sept. 30

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $147,600,000 of open market paper outstanding on Sept. 30, 1946, compared with $141,600,000 on Aug. 30, 1946, and $111,100,000 on Sept. 28, 1946, the bank reported on Oct. 14.

The following are the totals for the last two years:

1946—	$	1945—	$
Sep. 30	147,600,000	Sep. 28	111,100,000
Aug. 31	141,600,000	Aug. 31	110,200,000
July 31	130,800,000	July 31	106,800,000
June 28	121,400,000	Jun. 29	100,800,000
May 30	126,000,000	May 31	102,800,000
Apr. 30	148,700,000	Apr. 30	118,600,000
Mar. 29	171,500,000	Mar. 30	146,700,000
Feb. 28	178,200,000	Feb. 28	157,300,000
Jan. 31	173,700,000	Jan. 31	162,400,000
		—1944—	
1945—		Dec. 30	166,000,000
Dec. 31	158,900,000	Nov. 30	166,900,000
Nov. 30	156,100,000	Oct. 31	141,700,000
Oct. 31	127,100,000	Sep. 29	140,800,000

Non-Ferrous Metals – Foreign Copper Firmer – Strike at Lead Mines Ends – Quicksilver Off

"E. & M. J. Metal and Mineral Markets," in its issue of Oct. 31, states: "Producers and consumers of lead were greatly relieved on receipt of news that the strike at the mines of St. Joseph Lead Co. has been settled. Federal conciliators took a hand in ending the dispute. Producers of zinc concentrate in the Tri-State district again refused to sell on the unchanged basis of $50 per ton, but there was hope that the price situation in that market will be settled in the near future. Zinc smelters may be asked to raise their bids, and OPA may agree to revise quotas under the Premium Price Plan upward. Quicksilver was unsettled on offerings at lower prices from Italian sources, and the price dropped $3 per flask. Refined platinum sold in better volume on the basis of $69 per ounce, wholesale lots." The publication futher went on to say in part as follows:

Copper

The foreign market for copper moved slightly higher on sales made during the last week. Business was placed in fair tonnages at prices ranging from the equivalent of 17.375c to 17.65c per pound, f.a.s. New York. On average, the price became well established at 17.50c, beginning with Oct. 25. Demand was active, particularly for January metal, with offerings light because of the sold-up condition of most producers.

Call for copper from domestic consumers has not diminished. Shortages in certain shapes have not been entirely relieved, but the transportation situation has improved. Total deliveries for October are expected to exceed 110,000 tons, and will include approximately 50,000 tons of foreign copper released by the government.

Stocks of virgin copper held by the British Ministry of Supply and consumers, and including metal in transit to the United Kingdom, in long tons:

January 1, 1944	199,400
January 1, 1945	282,400
January 1, 1946	123,100
February 1, 1946	97,600
March 1, 1946	92,400
April 1, 1946	81,700
May 1, 1946	80,400
June 1, 1946	73,100
July 1, 1946	80,900

Lead

The strike at the Southeast Missouri mines of St. Joseph Lead Co. was settled on Oct. 29, and the workers signified that they would return to their jobs on Nov. 1. The work stoppage, which began Oct. 22, probably reduced the supply of lead available to consumers for November delivery by more than 3,500 tons.

Production of refined lead in the United States in September increased, largely as a result of the receipt of material moved during the period of higher prices that obtained in July. Metal produced on the 9½c basis is not available at prevailing ceiling prices, and consumers did not benefit greatly from the increased rate of production. Shipments of lead by domestic refineries in September amounted to 34,047 tons, against 32,811 tons in August.

The refinery statistics for August and September are summarized as follows, in tons:

	Aug.	Sept.
Stock at beginning	31,396	34,275
Production:		
Primary	33,994	39,012
Secondary	1,696	1,708
Totals	35,690	40,720
Domestic shipments	32,811	34,047
Stock at end	34,275	40,944

Lead scrap receipts at smelters' plants dropped from 56,229 tons in July to 40,102 tons in August, according to the Bureau of Mines. Receipts of battery plates alone dropped from 38,907 tons in July to 25,146 tons in August.

Sales of primary lead during the last week amounted to 2,832 tons.

Zinc

Demand for zinc from galvanizers and die casters was active, and the grades used in these industries are being shipped about as fast as they are being produced. In other words, the tight supply situation in Prime Western and Special High Grade continues. Other grades are in a comfortable supply position.

OPA is expected to announce higher ceiling prices in a day or two for zinc dust, die-casting alloys, and anodes, bringing prices in line with the current market for the metal.

The Tri-State Zinc Concentrate Smelting Industry Advisory Committee met with OPA officials in Washington on Oct. 29 to review the matter of satisfying ore producers who are demanding a higher settlement basis, reflecting 9¼c zinc, or a revision in quotas under the Premium Price Plan. A decision is expected shortly.

Tin

Permitted use of tin in the production of babbitt for bearings has been increased by CPA to provide a substitute for lead and antimony. CPA said the supply of tin has not increased sufficiently to justify the increased use permitted under an amendment to Order M-43, but as the lead and antimony shortages are threatening the bearings industry, it has been decided to draw more heavily on stocks of tin.

The price situation in tin continued unchanged last week. Straits quality tin for shipment, in cents per pound, was nominally as follows:

	Nov.	Dec.	Jan.
Oct. 24	52.000	52.000	52.000
Oct. 25	52.000	52.000	52.000
Oct. 26	52.000	52.000	52.000
Oct. 28	52.000	52.000	52.000
Oct. 29	52.000	52.000	52.000
Oct. 30	52.000	52.000	52.000

Chinese, or 99% tin, was unchanged at 51.125c.

Platinum

On the same day that the price of refined platinum was reduced to $72 an ounce (Oct. 15), price competition resulted in sales down to $69, wholesale lots. It has been possible to purchase refined platinum at the lower level ever since Oct. 15, and we have revised our quotation accordingly, retroactive to that date. However, all sellers have not come down to that level. Demand last week was moderate, though somewhat better than in recent weeks. Palladium continued unchanged at $24 per ounce. High prices for platinum are expected to result in an expanding market for palladium for jewelry.

Quicksilver

Wide publicity was given to a report that 3,000 flasks of Italian quicksilver had been offered to the trade here on the basis of $63.50 per flask, shipment from abroad, equivalent to about $82.50 duty paid, New York. According to latest information, the bulk of this material has been sold. However, the news served to upset the market, and a state of confusion still prevails in all quarters. A rumor to the effect that the Cartel is to take over the marketing of quicksilver for European producers on Nov. 1 attracted interest but was not taken seriously. Pressure to obtain dollar balances has been a factor in recent low-priced offerings of quicksilver, some observers contend. Spot metal declined to $93@$96 per flask, a reduction of $3 for the week. Demand was inactive.

Silver

The supply situation in silver continues to favor consumers, even thoough current production from domestic mines is moving to the Treasury. The New York official price was unchanged throughout the week at 90⅛c per ounce troy. The London quotation continued at 55½d.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	—Electrolytic Copper—		Straits Tin,	———Lead———		Zinc
	Dom. Refy.	Exp. Refy.	New York	New York	St. Louis	St. Louis
Oct. 24	14.150	17.350	52.000	8.25	8.10	9.25
Oct. 25	14.150	17.425	52.000	8.25	8.10	9.25
Oct. 26	14.150	17.425	52.000	8.25	8.10	9.25
Oct. 28	14.150	17.425	52.000	8.25	8.10	9.25
Oct. 29	14.150	17.425	52.000	8.25	8.10	9.25
Oct. 30	14.150	17.425	52.000	8.25	8.10	9.25
Average	14.150	17.413	52.000	8.25	8.10	9.25

Average prices for calendar week ended Oct. 26 are: Domestic copper f.o.b. refinery, 14.150c; export copper f.o.b. refinery, 17.350c; Straits tin, 52.000¢; New York lead, 8.250¢; St. Louis lead, 8.100¢, St. Louis zinc, 9.250¢; and silver, 90.125¢.

The above quotations are "E. & M. J. M. & M. M's" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c., for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.05c. per pound is charged; for slabs 0.075c. up, and for cakes 0.125c. up, depending on weight and dimension; for billets an extra 0.75c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 1c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

ABA to Promote Bond Sales Savings

Between Armistice Day, Nov. 11th, and Pearl Harbor Day, Dec. 7th, the United States Treasury will carry on a nationwide Savings Bond sales program, and has asked the nation's banks to help in its campaign to sell an extra Savings Bond to every American. To provide for bank participation in Savings Bond sales effort, the Treasury Savings Bond Committee of the American Bankers Association has set up a national organization among the banks, similar to that which proved so successful during the War Bond drives and the Victory Loan, according to H. Frederick Hagemann, Jr., Chairman of the American Bankers Association Committee, who is also president of the National Rockland Bank, Boston, Mass. This national organization includes a committee of bankers with regional representation and also State Chairmen representing commercial banks in each of the states, and State Chairmen representing mutual savings bank associations. These State Chairmen will maintain liaison between the banks in their State and National Bankers Associations and the Treasury's Savings Bond Committee in each state.

To aid the banks in contributing their support to the campaign, the Treasury has distributed window and lobby displays, portfolios of newspaper ads, and other campaign promotion material. The familiar minute-man poster of the war bond drives will reappear as a symbol of security for windows and lobbies, along with placards and window "paste-ons" bearing the lengends "Buy Your Savings Bonds Here" and "We Are Issuing Agents for Savings Bonds." Folders describing all issues of the Treasury's bonds for individual investors will be distributed through the banks, along with special booklets on Series G Bonds, for use by trust officers.

The members of the ABA Treasury Savings Bond Committee are:

H. Frederick Hagemann, Jr., President, National Rockland Bank, Boston, Mass.; George R. Boyles, President, Merchants National Bank, Chicago, Ill.; J. L. Driscoll, President, First Security Bank of Idaho N. A., Boise, Idaho; E. Chester Gersten, President, Public National Bank and Trust Company, New York, N. Y.; Thomas J. Groom, President, Bank of Commerce and Savings, Washington, D. C.; James G. Hall, Executive Vice-President, First National Bank of Birmingham, Birmingham, Ala.; George R. Martin, Vice-President, Security-First National Bank, Los Angeles, Calif.; Allen Morgan, Executive Vice-President, First National Bank of Memphis, Memphis, Tenn.; Henry J. Nichols, Vice-President, National Shawmut Bank, Boston, Mass.; Robert W. Sparks, Vice-President and Treasurer, Bowery Savings Bank, New York, N. Y.; Burr S. Swezey, President, Lafayette National Bank, Lafayette, Ind.; Edward H. Winton, President, Continental National Bank, Fort Worth, Texas; William R. Kuhns, editor of "Banking," New York, Secretary.

Armistice & Thanksgiving Days Proclaimed

In two proclamations issued on Oct. 28, President Truman declared Nov. 11 Armistice Day and Nov. 28 Thanksgiving Day. The President's statements, Associated Press Washington advices reported, asked his fellow countrymen to join in renewed efforts to obtain lasting peace for the whole world. The Armistice Day proclamation directed that the American flag fly from all government buildings on that day.

Revenue Freight Car Loadings During Week Ended Oct. 26, 1946, Increased 10,491 Cars

Loading of revenue freight for the week ended Oct. 26, 1946, totaled 942,257 cars the Association of American Railroads announced on Oct. 31. This was an increase of 87,478 cars or 10.2% above the corresponding week in 1945, and an increase of 25,772 cars or 2.8% above the same week in 1944.

Loading of revenue freight for the week of Oct. 26 increased 10,491 cars or 1.1% above the preceding week.

Miscellaneous freight loading totaled 412,928 cars an increase of 12,304 cars above the preceding week, and an increase of 44,833 cars above the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 131,562 cars an increase of 1,207 cars above the preceding week, and an increase of 15,038 cars above the corresponding week in 1945.

Coal loading amounted to 189,782 cars, a decrease of 1,237 cars below the preceding week but an increase of 6,977 cars above the corresponding week in 1945.

Grain and grain products loading totaled 52,409 cars, an increase of 2,172 cars above the preceding week but a decrease of 5,075 cars below the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Oct. 26 totaled 34,429 cars, an increase of 1,955 cars above the preceding week but a decrease of 3,180 cars below the corresponding week in 1945.

Livestock loading amounted to 30,793 cars a decrease of 2,706 cars below the preceding week but an increase of 2,788 cars above the corresponding week in 1945. In the Western Districts alone loading of Livestock for the week of Oct. 26 totaled 23,976 cars a decrease of 2,468 cars below the preceding week, but an increase of 905 cars above the corresponding week in 1945.

Forest products loading totaled 47,823 cars, a decrease of 680 cars below the preceding week but an increase of 13,181 cars above the corresponding week in 1945.

Ore loading amounted to 62,725 cars' a decrease of 114 cars below the preceding week but an increase of 4,114 cars above the corresponding week in 1945.

Coke loading amounted to 14,235 cars, a decrease of 455 cars below the preceding week, but an increase of 5,622 cars above the corresponding week in 1945.

All districts reported increases compared with the corresponding week in 1945, and all reported increases compared with 1944 except the Allegheny and Southwestern.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
5 weeks of March	3,982,229	4,022,088	3,916,037
4 weeks of April	2,604,552	3,377,335	3,275,846
4 weeks of May	2,616,067	3,456,465	3,441,616
5 weeks of June	4,062,911	4,366,516	4,338,886
4 weeks of July	3,406,874	3,379,284	3,459,830
5 weeks of August	4,478,446	4,100,512	4,473,872
4 weeks of September	3,517,188	3,255,757	3,527,162
Week of Oct. 5	906,848	768,040	877,035
Week of Oct. 12	899,443	754,559	898,720
Week of Oct. 19	931,766	773,807	906,005
Week of Oct. 26	942,257	854,779	916,485
Total	34,098,911	35,165,284	36,344,310

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Oct. 26, 1946. During this period 97 roads reported gains over the week ended Oct. 27, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED OCT. 26

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	473	340	444	1,731	1,279
Bangor & Aroostook	1,767	1,857	1,986	340	291
Boston & Maine	8,010	7,268	6,819	14,353	12,515
Chicago, Indianapolis & Louisville	1,560	1,265	1,294	2,089	1,818
Central Indiana	44	43	46	49	28
Central Vermont	1,218	1,127	1,055	2,304	2,394
Delaware & Hudson	5,761	5,037	5,144	11,773	9,890
Delaware, Lackawanna & Western	8,376	7,682	7,811	10,006	9,035
Detroit & Mackinac	556	464	385	323	141
Detroit, Toledo & Ironton	2,522	1,700	1,909	1,432	1,172
Detroit & Toledo Shore Line	487	359	403	2,914	1,942
Erie	14,253	12,188	13,785	17,240	13,955
Grand Trunk Western	5,251	3,824	3,960	7,709	6,993
Lehigh & Hudson River	186	172	162	3,033	1,989
Lehigh & New England	2,372	2,453	2,291	1,945	1,301
Lehigh Valley	9,660	8,845	9,057	9,253	7,503
Maine Central	2,849	2,589	2,341	3,654	3,355
Monongahela	6,189	5,691	6,126	304	255
Montour	2,787	2,822	1,670	30	17
New York Central Lines	58,029	46,916	53,414	54,495	43,369
N. Y., N. H. & Hartford	10,843	10,332	9,857	15,555	13,223
New York, Ontario & Western	977	893	1,040	2,327	2,247
New York, Chicago & St. Louis	8,135	6,433	7,029	14,406	11,810
N. Y., Susquehanna & Western	385	357	497	1,653	1,475
Pittsburgh & Lake Erie	5,962	5,988	8,214	10,197	6,440
Pere Marquette	7,438	5,724	5,972	7,600	5,587
Pittsburg & Shawmut	1,152	757	813	35	36
Pittsburg, Shawmut & Northern	255	209	306	135	215
Pittsburgh & West Virginia	1,059	1,133	1,196	1,961	2,089
Rutland	506	438	402	1,355	966
Wabash	7,333	6,656	7,141	12,266	10,190
Wheeling & Lake Erie	6,187	4,873	5,946	4,528	4,086
Total	182,582	156,435	168,515	216,995	177,606
Allegheny District—					
Akron, Canton & Youngstown	635	572	777	1,410	909
Baltimore & Ohio	40,948	46,086	47,661	26,847	21,689
Bessemer & Lake Erie	4,516	4,553	5,662	2,532	1,273
Cambria & Indiana	1,684	1,547	1,634	13	9
Central R. R. of New Jersey	7,083	6,542	6,786	19,318	14,626
Cornwall	529	477	574	54	42
Cumberland & Pennsylvania	289	276	182	12	10
Ligonier Valley	60	47	126	11	10
Long Island	1,998	1,773	1,671	4,948	4,110
Penn-Reading Seashore Lines	2,262	1,730	1,802	2,189	1,624
Pennsylvania System	93,213	82,963	88,453	68,029	53,787
Reading Co.	16,154	14,835	15,623	25,758	23,555
Union (Pittsburgh)	19,291	8,945	19,595	5,288	4,412
Western Maryland	4,272	4,260	3,939	10,886	10,184
Total	192,934	174,606	194,505	167,295	136,240
Pocahontas District—					
Chesapeake & Ohio	34,419	29,672	30,628	16,126	12,367
Norfolk & Western	25,970	21,045	21,789	7,394	6,184
Virginian	3,475	4,818	4,658	1,283	1,715
Total	63,864	55,535	57,075	24,803	20,266
Southern District—					
Alabama, Tennessee & Northern	313	383	383	207	206
Atl. & W. P.—W. R. R. of Ala.	1,075	775	806	2,121	1,583
Atlanta, Birmingham & Coast	†	†	908	†	†
Atlantic Coast Line	15,036	12,641	10,720	9,646	9,895
Central of Georgia	4,039	3,899	3,715	5,246	4,495
Charleston & Western Carolina	532	431	407	1,599	1,514
Clinchfield	1,951	1,697	1,745	3,456	2,597
Columbus & Greenville	447	376	368	276	275
Durham & Southern	141	138	159	906	439
Florida East Coast	1,795	1,580	979	1,745	1,276
Gainesville Midland	94	64	58	71	111
Georgia	1,299	1,344	1,164	2,230	2,024
Georgia & Florida	405	402	522	858	729
Gulf, Mobile & Ohio	4,324	4,463	5,010	4,137	4,017
Illinois Central System	28,243	27,400	31,683	16,530	15,139
Louisville & Nashville	28,770	25,782	26,184	10,322	10,448
Macon, Dublin & Savannah	246	242	210	1,065	929
Mississippi Central	352	224	341	394	496
Nashville, Chattanooga & St. L.	3,486	3,544	3,511	4,530	4,087
Norfolk Southern	1,395	1,142	1,059	1,905	1,684
Piedmont Northern	463	436	444	1,725	1,269
Richmond, Fred. & Potomac	398	470	371	9,060	8,418
Seaboard Air Line	12,896	10,403	9,444	8,929	8,045
Southern System	28,755	26,461	25,174	24,865	21,692
Tennessee Central	750	612	725	823	816
Winston-Salem Southbound	171	162	138	1,009	952
Total	137,376	125,071	126,228	113,655	103,136
Northwestern District—					
Chicago & North Western	23,039	19,816	20,641	16,707	14,633
Chicago Great Western	2,816	2,842	3,083	4,267	3,413
Chicago, Milw., St. P. & Pac.	26,697	23,310	24,252	11,815	10,398
Chicago, St. Paul, Minn. & Omaha	4,622	4,209	3,687	5,364	4,942
Duluth, Missabe & Iron Range	23,146	22,048	25,655	312	274
Duluth, South Shore & Atlantic	1,185	1,262	690	624	443
Elgin, Joilet & Eastern	8,941	6,494	9,332	9,427	7,311
Ft. Dodge, Des Moines & South	497	434	356	139	106
Great Northern	24,984	23,444	22,659	8,120	6,834
Green Bay & Western	683	581	592	918	772
Lake Superior & Ishpeming	1,993	2,232	1,500	58	50
Minneapolis & St. Louis	2,708	2,498	2,509	3,445	3,070
Minn., St. Paul & S. S. M.	8,657	8,813	7,401	3,977	3,315
Northern Pacific	14,895	13,920	13,576	5,438	5,038
Spokane International	240	128	201	530	357
Spokane, Portland & Seattle	2,445	2,146	2,768	2,689	2,502
Total	147,548	134,177	138,902	73,830	63,508
Central Western District—					
Atch., Top. & Santa Fe System	28,459	26,372	28,244	13,612	12,698
Alton	3,100	3,376	4,079	3,595	3,409
Bingham & Garfield	185	245	404	110	64
Chicago, Burlington & Quincy	23,821	23,266	23,981	14,220	12,337
Chicago & Illinois Midland	3,712	3,131	3,070	788	754
Chicago, Rock Island & Pacific	15,553	13,812	13,545	14,092	13,366
Chicago & Eastern Illinois	3,334	2,997	2,998	3,487	3,019
Colorado & Southern	1,325	1,324	1,485	2,263	2,210
Denver & Rio Grande Western	4,900	5,044	5,210	5,650	5,708
Denver & Salt Lake	753	817	746	61	50
Fort Worth & Denver City	1,551	1,114	991	1,755	1,665
Illinois Terminal	2,227	1,735	2,742	2,127	1,709
Missouri-Illinois	1,147	1,524	1,277	527	652
Nevada Northern	1,551	1,250	1,488	138	118
North Western Pacific	1,101	1,108	932	716	731
Peoria & Pekin Union	24	9	27	§	§
Southern Pacific (Pacific)	33,223	32,007	33,586	12,013	11,908
Toledo, Peoria & Western	§	§	288	0	0
Union Pacific System	23,505	22,914	24,098	16,504	16,134
Utah	696	739	280	9	8
Western Pacific	2,411	2,474	2,443	3,693	4,205
Total	152,578	145,258	151,914	95,360	90,745
Southwestern District—					
Burlington-Rock Island	279	348	753	261	548
Gulf Coast Lines	3,577	4,199	5,986	2,352	2,361
International-Great Northern	1,997	2,090	2,675	3,038	3,216
‡K. O. & G.-M. V.-O. C.-A.-A.	1,422	1,196	1,072	1,652	1,576
Kansas City Southern	2,970	2,864	5,637	2,883	2,442
Louisiana & Arkansas	2,301	2,184	3,729	2,328	2,441
Litchfield & Madison	429	293	332	1,540	1,190
Missouri & Arkansas	§	186	159	§	349
Missouri-Kansas-Texas Lines	5,681	5,663	6,730	4,280	3,805
Missouri Pacific	17,708	18,052	19,176	15,235	15,547
Quanah Acme & Pacific	166	102	66	202	136
St. Louis-San Francisco	10,387	9,786	10,669	8,251	8,026
St. Louis-Southwestern	3,318	2,880	3,867	4,874	4,467
Texas & New Orleans	9,588	8,929	12,159	5,693	5,607
Texas & Pacific	5,428	4,833	6,213	6,092	6,559
Wichita Falls & Southern	86	72	84	93	58
Weatherford M. W. & N. W.	38	20	39	17	22
Total	65,375	63,697	79,346	58,791	58,410

†Included in Atlantic Coast Line RR. ‡Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry., and Oklahoma City-Ada-Atoka Ry. §Strike.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1946—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
Aug. 3	215,730	167,192	620,354	98	95
Aug. 10	156,766	163,034	610,459	96	95
Aug. 17	158,304	166,363	600,674	98	95
Aug. 24	146,057	168,120	578,276	100	95
Aug. 31	160,074	173,064	564,299	100	95
Sep. 7	192,978	138,189	615,865	83	95
Sep. 14	151,407	172,476	593,213	101	95
Sep. 21	156,822	169,143	579,500	100	95
Sep. 28	160,969	170,970	569,409	101	95
Oct. 5	223,117	172,354	619,581	100	95
Oct. 12	158,176	169,988	605,059	99	95
Oct. 19	155,589	161,534	598,569	98	96
Oct. 26	155,140	175,440	572,188	101	96

NOTES—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

NYSE Short Interest to Oct. 15 Reported

The New York Stock Exchange on Oct. 18, reported that the short interest as of the close of business on the Oct. 15, 1946, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 757,215 shares, compared with 627,964 shares on September 13, 1946, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Oct. 15, 1946, settlement date, the total short interest in all odd-lot dealers' accounts was 71,475 shares, compared with 58,158 shares on Sept. 13, 1946.

The report added:

Of the 1,315 individual stock issues listed on the Exchange on Oct. 15, 1946, there were 46 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1945—	
Oct. 15	1,404,483
Nov. 15	1,566,015
Dec. 15	1,465,798
1946—	
Jan. 15	1,270,098
Feb. 15	1,181,222
Mar. 15	1,015,772
Apr. 15	994,375
May 15	1,022,399
June 15	867,891
July 15	849,698
Aug. 15	732,649
Sept. 13	627,964
Oct. 15	757,215

Weekly Lumber Shipments 9.6% Below Production

According to the National Lumber Manufacturers Association, lumber shipments of 426 mills reporting to the National Lumber Trade Barometer were 9.6% below production for the week ending Oct. 26, 1946. In the same week new orders of these mills were 5.3% below production. Unfilled order files of the reporting mills, amounted to 62% of stocks. For reporting softwood mills, unfilled orders are equivalent to 26 days' production at the current rate, and gross stocks are equivalent to 40 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 0.3%; orders were 0.4% below production.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 12.8% above; shipments were 4.1% above; orders were 18.9% above. Compared to the corresponding week in 1945, production of reporting mills was 66.1% above; shipments were 61.0% above; and new orders were 70.5% above.

Dedication Day Proclaimed

President Truman on Oct. 30 issued a proclamation dedicating Nov. 19 as the anniversary of Lincoln's Gettysburg address, and drew attention to the words in the closing resolve as having special significance in "world affairs" today: "That this nation under God, shall have a new birth of freedom, and that Government of the people, by the people, for the people shall not perish from the earth."

The President, according to advices from the Associated Press in Washington, called upon the American people to observe the day, to be known as Dedication Day, pursuant to a joint resolution of Congress, by reading the address "in public assemblages throughout the United States and its possessions, on our ships at sea, and wherever the American flag flies."

Items About Banks, Trust Companies

Frank K. Houston, Chairman of the Board of the Chemical Bank & Trust Company of New York, announces that Roy W. Moore, President and Director of Canada Dry Ginger Ale, Inc., was elected to the Advisory Board of the Madison Avenue at 46th Street office of the Bank.

James A. Fulton, President of the Home Life Insurance Co., was elected a director of the Corn Exchange Bank Trust Company of New York at a meeting of the board of directors of the bank held on Oct. 30.

Frank K. Houston, Chairman of the Board of Chemical Bank & Trust Company of New York, announced on Oct. 30 the election of John C. Hughes, President of McCampbell & Company, Inc., and W. C. Langley of W. C. Langley & Company, to the Advisory Board of the 320 Broadway Office of the bank. Each has been identified with the Worth Street Area for a great many years. Mr. Hughes, in addition to heading McCampbell & Company, is a director of the Graniteville Co. and a director and member of the Executive Committee of the Association of Cotton Textile Merchants, Inc. Mr. Langley was formerly one of the principals of W. H. Langley & Co. He is a member of the Board of Goodall-Sanford, Inc. and other textile corporations, as well as several industrial and insurance boards. In addition to his work as Chairman of the Beekman Downtown Hospital Building Fund, Mr. Langley is active in a number of other philanthropic and charitable associations.

At the regular meeting of the board of directors of The National City Bank of New York held on Oct. 29, Louis P. Gallet was appointed an Assistant Cashier.

F. Abbot Goodhue, President of the Bank of the Manhattan Company of New York, announced on Oct. 31 the appointment of Sydney G. Stevens as an Assistant Vice-President. He will be stationed at the main office in the Trust Department. Mr. Stevens is a graduate of Westfield High School and Princeton University. From 1930 to 1933 he was associated with the General Development Company. He then joined the Commercial National Bank and Trust Company where he was elected an Assistant Trust Officer in 1937 and Trust Officer in June, 1946. During the war he served with the Finance Division of the U. S. Army. He left the service with the rank of Major.

Manufacturers Trust Company of New York opened a new office at 47-11 Queens Boulevard near 47th Street on Monday, Nov. 4. At these quarters the bank will offer to residents and businessmen of that community complete banking service including commercial checking accounts, special checking accounts (no minimum balance required), special interest accounts, personal loans, complete gift check service and, in fact, every modern banking service to suit the needs of the community. Safe deposit facilities will be made available by Manufacturers Safe Deposit Company, an affiliate of Manufacturers Trust Company.

The Irving Savings Bank of New York announced the opening on Oct. 30 of its new office at 111th Street and Broadway.

Charles Froeb, Sr., Chairman of the Board of Trustees of the Lincoln Savings Bank, of Brooklyn, and formerly President of the institution for more than 20 years, died on Oct. 30. He was 89 years of age. Mr. Froeb, who was born in Germany, came to the United States when 12 years old. The Brooklyn "Eagle" reporting his death said:

"After several years as a trustee of the Lincoln Savings Bank he was elected President in 1914 and continued in that post until 1940, a period including the merger of the Fort Hamilton Savings Bank with the Lincoln. At a dinner in his honor, Jan. 17, 1938, at the Hotel St. George, 13 savings bank presidents, including the late Philip A. Benson, hailed the career of Mr. Froeb."

Mr. Froeb, who was also a director of the Maufacturers Trust Co., formerly headed his own company, Charles Froeb & Sons, distillery and wholesale liquor dealers, in Brooklyn, which continued in existence until prohibition.

Glenn H. Caley, Vice-President and General Manager of the Delaware & Hudson RR. has been elected a director of the National Commercial Bank & Trust Co. of Albany, N. Y., it was announced on Oct. 24 by Herbert J. Kneip, President of the bank. The Albany "Times-Union" of Oct. 25, from which we quote, also said:

"He [Mr. Caley] succeeds Col. J. Taber Loree, former Vice-President of the D. & H., who recently resigned. Col. Loree is now an officer at the New York Port of Embarkation.

"Mr. Caley came to Albany in 1938 as General Manager of the D. & H. and was made Vice-President in 1941."

The directors of the Stamford Trust Company of Stamford, Conn., have elected Harold E. Rider, formerly of Hartford, to be President and Chairman of the Executive Committee to fill the vacancy caused by the death of Clarence E. Thompson, recently, according to the Hartford "Courant" of Oct. 30. Mr. Thompson's death was noted in the "Chronicle" of Oct. 17, page 1993.

Mr. Rider joined the Stamford Trust Company in 1932 as Trust Officer it was stated in the "Courant," which also had the following to say:

"Mr. Rider began his banking career at the City Bank and Trust Company in Hartford, soon after his graduation from Dartmouth College in 1925, and advanced to the post of Assistant Vice-President.

Mr. Rider is Vice-President of the Underwriters Building Company of New York City and is a member of the trust committee of the Connecticut Bankers Association.

"Stamford Trust Company is capitalized at $700,000 and has total resources of $24 million and administers trust accounts in the amount of more than $21 million."

Purchase of the assets of the Erie National Bank of Philadelphia by The Pennsylvania Company for Insurances on Lives and Granting Annuities was approved on Nov. 1 at meetings of the boards of directors of the two banks. Ratification of the sale will be submitted to the stockholders of the Erie bank at a special meeting scheduled for Nov. 18. The transaction is to become effective at the close of business on Nov. 23, and beginning the following Monday the two offices of the Erie bank, located at Sixth Street and Erie Avenue and Ridge Avenue and Green Lane, Roxborough, will be operated as the Erie Avenue and the Roxborough-Manayunk branches of The Pennsylvania Company. The sale price, reported in excess of $1,800,000, amounts to approximately $62 per share on the Erie bank's outstanding stock.

"Our purpose in acquiring the assets of the Erie National Bank is to enable The Pennsylvania Company to offer the comprehensive banking services and the large resources of our company to the residents and industries in the two sections where the offices of Erie are located," said William Fulton Kurtz, President of The Pennsylvania Company. "Mr. Leof, President, and the other active officers and all the employees of Erie National will continue with us as members of The Pennsylvania Company's organization."

The Erie National, a member of the Federal Reserve System and the Federal Deposit Insurance Corporation, was founded in 1927. Its last statement, it is said, reveals resources of more than $21,000,000, and deposits totaling more than $19,000,000.

Commenting upon the sale, Julius P. Leof, President of the Erie National Bank, said:

"The rapid growth in the business of our bank has taxed its facilities to the limit. This trend has been marked by a sharp increase in commercial accounts from all sections of the city. Our directors approved the sale believing that the additional banking services and larger credit facilities that can be offered by The Pennsylvania Company will enable us to provide a better service to our customers."

The Board of Directors of the Corn Exchange National Bank and Trust Company, of Philadelphia, has announced two promotions in the official staff of the bank, effective Nov. 1. Harry Gottlieb was advanced to Vice-President. He had been an Assistant Vice-President since January 1938, and has been with the bank since 1921. William T. Carey was advanced to Assistant Vice-President from Assistant Cashier. He has been with the bank since 1922, serving as Assistant Manager of the Foreign Department since December 1943.

An increase in the capital stock of the First National Bank & Trust Company of Bethlehem, Pa., from $1,000,000 to $1,100,000 was announced recently by the Comptroller of the Currency. The increase which became operative Oct. 21, was effected through a stock dividend of $100,000.

Stockholders of the American National Bank and Trust Company of Chicago at a special meeting called for Nov. 13 will vote on the issuance of 5,000 common shares as a 25% dividend in stock and the offer of an additional 5,000 shares to stockholders for subscription at par, $100 a share, in the ratio of one new share for each four held, Lawrence F. Stern, President, said on Oct. 31, according to the Chicago "Tribune." The advices in that paper also stated:

"The plans involve an increase in the banks' capital stock from $2,000,000 to $3,000,000. The stock dividend and the subscription offer will be made to stockholders of record on the date on which the increase is authorized.

"Similar action was taken by the bank in December, 1943, when 5,000 shares were issued as a dividend and a similar amount sold at par. The bank's surplus account, which totaled 2½ million dollars in 1943, has increased to $4,000,000. With the completion of the proposed further increase in stock the capital and surplus will total $7,000,000. The deposits total $240,000,000."

The Broadway National Bank of Quincy, Ill., has been granted a National bank charter by the Office of Comptroller of the Currency. The capital of the new bank will consist of $150,000, all common stock. Under the primary organization of the bank Walter Chatten as President and J. E. Kline, Cashier.

Announcement is made by the Federal Reserve Bank of St. Louis that the Bethalto National Bank of Bethalto, Ill., opened for business Oct. 24. The officers of the new bank are: Charles A. Prange, President; Leslie E. Prehn, Vice-President; John T. McGaughey, Cashier, and Mrs. Alma Neubauer, Assistant Cashier.

The Seattle-First National Bank of Seattle, Wash., announced on Oct. 26 the opening of its new Industrial Branch, erected on tideland reclaimed from Elliott Bay.

The Seattle "Times" states that the new branch, built at a cost of approximately $200,000, is located at 2764 1st Ave. S.

Howard Bingaman, is Manager of the Industrial Branch; Bart Hooper, Assistant Manager, and George Brandt, Pro Manager. Lawrence M. Arnold is Chairman of the Board of the bank, and Thomas F. Gleed is President.

In the Seattle "Times" of Nov. 1 it was stated that under the first charter that has been issued to an independent banking institution in Seattle since 1928, the new West Seattle National Bank planned to open for business on Nov. 2 at 4203 West Alaska Street. It is indicated that this community-owned institution, starting with a paid-in capital of $100,000, and a surplus of $20,000, will feature all general banking facilities and services. The "Times" also said:

"R. D. Shelton heads the new bank as President and Chairman of the Board of Directors, E. H. Savage is Vice-President, and John B. Gordon, Cashier. Besides Messrs. Shelton and Savage, the board includes William Anderson, Morrison Campbell, L. J. Dowell, F. Clyde Dunn, J. B. George, Frank Holert, Paul Isaacson, Alfred R. Johnson, Bob Jones, Melvin T. Swanson, E. H. Vann, Donald H. Waller and Noble W. White.

The Midland Bank of London announces with regret that, acting on medical advice, G. P. A. Lederer, M.C. retired from the office of Chief General Manager at the end of October. The directors have expressed their appreciation of the value of Mr. Lederer's services to the Bank, extending over nearly 47 years and culminating in a succession of high appointments.

The directors have appointed W. G. Edington and H. L. Rouse, at present Joint General Managers, to be Chief General Managers as from Nov. 1. Mr. Rouse, who for some years has been in charge of administration, will continue to give special attention to such matters.

Mr. Lederer entered the service of the bank at the Dale Street, Liverpool branch in 1899, becoming Assistant Manager of that branch in 1911. Ten years later he went with the Threadneedle Street branch in London, and in 1925 visited the United States on behalf of the Bank. For some years he was responsible for the bank's dealings with the money market, and in 1929 he became a Joint General Manager. He was made Assistant Chief General Manager in 1938 and Chief General Manager five years later. In early years he was a member of the Council of the Liverpool and District Bankers' Institute, and until recently was on the Council of the Institute in London. During the war of 1914-18 he served in France and Belgium with the King's (Liverpool) Regiment, during which he was wounded.

Mr. Edington entered the service of the bank in 1911 and was employed at both the Liverpool and Oldham branches, following which he entered the London office as General Manager's Assistant in 1937, and was appointed a Joint General Manager in April 1945.

Mr. Rouse entered the bank's service at the head office in 1903. He had wide experience—with a three years' interruption on war service—at various London branches and at New Street, Birmingham, later returning to the head office and becoming Chief Accountant in 1930. Shortly afterwards he was appointed Controller of the Bank and in 1936 a Joint General Manager.

ABA Regional Meeting On Savings and Mtgs.

Two of the three Regional Savings and Mortgage Conferences conducted each year by the American Bankers Association will be held in the Middle West during the same week in December, according to an announcement by Fred F. Spellissy, new President of the ABA Savings Division, and Executive Vice-President of the Market Street National Bank, Philadelphia, Pa. Letters of invitation were sent to some 1500 banks in North and South Dakota, Minnesota, and Wisconsin announcing a conference on Dec. 9 and 10 in Minneapolis. Some 3,000 bankers in Illinois, Indiana, Kentucky, Michigan, and Ohio received announcement of a conference in Indianapolis on Dec. 12 and 13. Mr. Spellissy announced that each of the meetings will be "a shirt-sleeve, working conference." The first day at each conference will be devoted primarily to savings management problems. The second day will be given over to mortgage problems, under the guidance of the ABA department of Research Mortgage and Real Estate Finance.

The third Savings and Mortgage Conference to be held during the current fiscal year will be the Eastern Regional Conference, scheduled for New York City in March of next year.

Anniversary for Quarter Century Club

The Guaranty Quarter Century Club, composed of employees, officers and directors of Guaranty Trust Company of New York who have served the company for 25 or more years, held its Fifth Anniversary Dinner on Nov. 4 in the Grand Ballroom of the Waldorf-Astoria, with more than 550 members attending. The Club inducted 77 new members during 1946, bringing the total membership to 843, which includes members in the company's London, Paris, and Brussels offices.

An address was made by A. Nye Van Vleck, Vice-President of the company and a member of the Club, and Miss Frances Alcalde accepted a membership certificate on behalf of this year's new members. Senior officials of the bank who are members of the Quarter Century Club include W. Palen Conway, Chairman of the Executive Committee; Eugene W. Stetson, Chairman of the Board; William L. Kleitz, Vice-President; and Charles E. Dunlap, Cornelius F. Kelley and William C. Potter, Directors.

Charles L. Miller, Assistant Treasurer of the Company, was elected President of the Club for the forthcoming year, succeeding Albert L. Gettman, Assistant Auditor. Membership in the Club is honorary and in addition to membership certificates and service emblems, members are given a month's vacation annually.